PICARD ANGST

The Chokepoint

360° Commodities Expertise - Key Insights

Quarterly Report

Q2 2026

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Quarterly Report - Q2 2026

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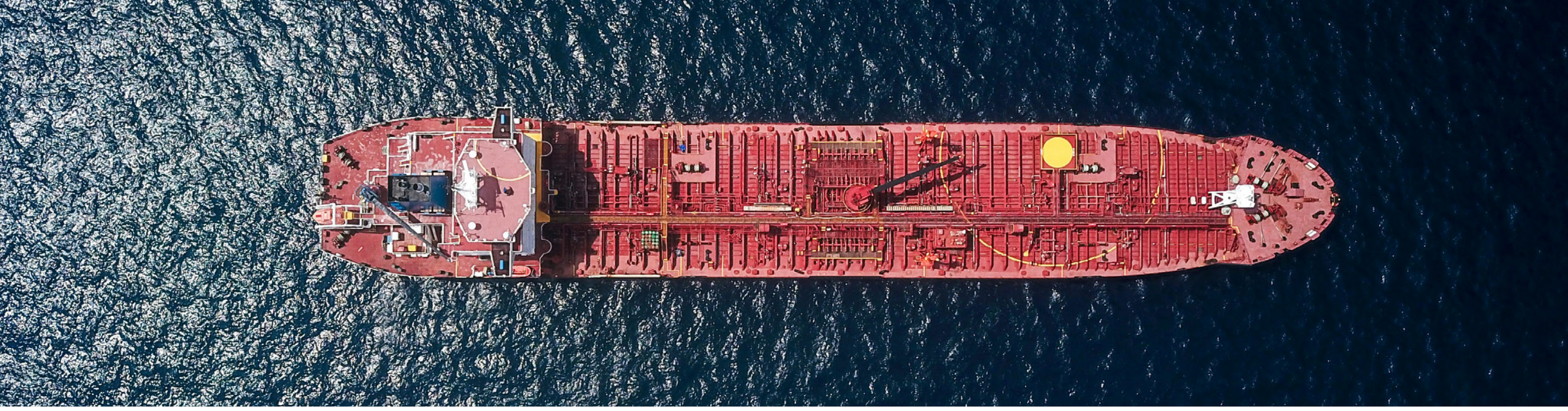


Welcome

Dear Investors,

The second quarter of 2026 marked a decisive turning point for global commodity markets. What began as a regional geopolitical conflict rapidly evolved into the most significant disruption to global energy and industrial supply chains in decades. The near-closure of the Strait of Hormuz — through which roughly one fifth of global oil and LNG flows normally transit — transformed geopolitical risk from a background concern into an operational reality.

Importantly, this was not simply another oil-price shock. Q2 demonstrated that the modern global economy is increasingly constrained not by the absolute availability of resources, but by logistics, infrastructure, inventories and supply-chain resilience. The world did not suddenly run out of oil, natural gas, copper or fertilizers. Instead, the global system began running short of flexibility. Shipping routes, refining systems, sulfuric acid flows, LNG infrastructure, fertilizer supply chains and electrical grids simultaneously emerged as bottlenecks across the commodity complex — a cascade that exposed vulnerabilities most investors had never modeled. The combination is unusual: the industry appears to have entered another structurally tight phase following years of inadequate capital spending, just as the market confronts an acute physical bottleneck of historic proportions. As Lenin once observed — there are decades when nothing happens, and weeks when decades happen. Q2 2026 felt like the latter.

> *“The era of commodities defined by resilience, security, and physical scarcity has already arrived.”*

Unlike previous commodity cycles driven primarily by economic growth or monetary stimulus, today‘s environment is increasingly shaped by strategic competition, energy security, industrial policy and physical-system resilience. Commodities are no longer merely cyclical assets responding to fluctuations in GDP growth. They are becoming core portfolio assets embedded directly within national security, industrial competitiveness and geopolitical stability — and the Hormuz crisis reinforced several structural trends that had already been developing beneath the surface for years. Governments increasingly prioritize redundancy, domestic production, emergency reserves and dispatchable power generation over lowest-cost supply chains. Nuclear energy, LNG infrastructure, power grids, domestic mining capacity and fertilizer supply security all became significantly more valuable during the quarter.

Simultaneously, the electrification and AI-driven infrastructure buildout continued accelerating despite cyclical economic softness — and across both energy and metals, years of underinvestment are increasingly colliding with rising geopolitical fragmentation, with spare capacity and operational flexibility proving materially lower than headline statistics previously suggested.

At the same time, the quarter demonstrated the extraordinary adaptability of the global economy. Despite the largest effective oil supply disruption since the 1970s, the global system avoided outright collapse. Today‘s economy is significantly less oil-intensive than during prior energy crises, inventories initially provided an important buffer and global trade flows adjusted faster than many expected. Yet this resilience should not be mistaken for stability. The system absorbed the shock by drawing down inventories, rerouting supply chains and delaying adjustment costs into the future — a response that buys time but does not resolve the underlying structural vulnerabilities the quarter exposed.

For investors, this creates both risk and opportunity. Periods of geopolitical fragmentation historically produce higher inflation volatility, tighter commodity balances and structurally elevated risk premia across physical assets. At the same time, commodity producers today remain significantly more capital disciplined than in prior cycles — companies continue prioritizing free cash flow, balance-sheet strength and shareholder returns over aggressive production growth, limiting the supply response that historically ended commodity bull markets more quickly. We believe this environment continues favouring real assets, physical resource producers and companies controlling scarce infrastructure, long-life reserves and secure supply chains.

Q2 2026 may ultimately be remembered as the quarter when markets fully realized that the era of abundance and frictionless globalization is ending — and that a new commodity regime defined by resilience, security and physical scarcity has already begun.

In the following pages, you will find a review of market performance, key sector insights and selected charts highlighting recent trends. This quarterly letter covers developments through end of May 2026. Editorial deadline: **25 May 2026**. The commodity universe is vast and complex — our aim is to highlight the themes we consider most relevant, while expanding coverage in future editions. We hope you enjoy this second quarterly letter of 2026 and invite you to share your feedback, questions or requests for further discussion on commodity-related topics.

With best wishes — and with the view that in a world running short of flexibility, real assets have rarely mattered more,

Pablo Gonzalez
David Michael Lincke

Commodity Markets Overview

Commodity Indices

Commodity Futures Indices TR	Ticker	Return	QTD	YTD	3Y p.a.	5Y p.a.
Picard Angst Commodity	PACITR	TR	3.7%	32.6%	19.6%	15.9%
Bloomberg Commodity	BCOMTR	TR	3.1%	26.5%	16.5%	12.8%
S&P GSCI	SPGCCITR	TR	3.5%	44.9%	21.2%	18.5%
FTSE/CoreCommodity CRB	CRYTR	TR	6.0%	33.3%	19.9%	18.5%

Commodity Equity Indices TR	Ticker	Return	QTD	YTD	3Y p.a.	5Y p.a.
S&P Global Natural Resources	SPGNRUN	TR	-0.8%	19.3%	14.5%	10.1%
MSCI World Energy	NDWUENR	TR	-3.0%	32.2%	18.9%	20.2%
Stoxx Europe 600 Oil&Gas	SXER	TR	-0.7%	33.9%	24.2%	19.3%
S&P Oil Gas E&P	SPSIOPTR	TR	-5.4%	36.9%	14.2%	17.8%
MSCI World Metals & Mining	NDUWMMIN	TR	7.7%	21.8%	23.9%	13.5%
Stoxx Europe 600 Basic Resourc	SXOPV	TR	14.1%	26.9%	22.1%	10.9%
S&P Global NR Metals & Mining	SPGNEUT	TR	-4.1%	30.7%	17.5%	18.7%
NYSE Arca Exch Gold BUGS	HUINTR	TR	-6.6%	4.0%	43.9%	19.2%
NYSE Arca Gold Miners	GDMNTR	TR	-5.7%	1.7%	41.7%	19.3%
FTSE Gold Mines	TFTMIGMI	TR	-6.1%	2.7%	43.8%	19.2%

Commodity Futures

	Energy Futures	Closing Price	Unit	Return	QTD	YTD	3Y p.a.	5Y p.a.
CO	Crude Oil - Brent (ICE)	103.54	USD/bbl.	TR	6.2%	94.6%	29.8%	27.6%
CL	Crude Oil - WTI (Nymex)	96.60	USD/bbl.	TR	7.4%	93.2%	29.4%	24.9%
XB	Gasoline - RBOB (Nymex)	345.39	USd/gal.	TR	12.8%	91.1%	27.0%	31.0%
QS	Gas Oil - Low Sulphur (ICE)	1'135.25	USD/MT	TR	2.9%	132.5%	49.9%	45.9%
HO	Heating Oil (Nymex)	388.78	USd/gal.	TR	1.9%	120.8%	43.4%	42.5%
NG	Natural Gas - Henry Hub (Nymex	2.91	USD/MMBtu	TR	-7.8%	-10.6%	-21.3%	-19.0%
FN	Natural Gas - UK (ICE)	118.47	GBp/therm	TR	-3.8%	87.3%	1.0%	7.2%
TZT	Natural Gas - TTF Dutch (ICE)	48.68	EUR/MWh	PR	-3.5%	71.0%	20.7%	13.4%
JKL	LNG - Japan/Korea (Platts)	18.81	USD/MMBtu	PR	-6.6%	95.8%	24.5%	13.5%
XA	Thermal Coal - API2 Rotterdam (	112.70	USD/MT	PR	-5.3%	16.3%	-1.8%	5.8%
XO	Thermal Coal - API4 Richards Ba	118.75	USD/MT	PR	7.6%	37.8%	2.6%	2.8%
UXA	Uranium - UxC U3O8 Swap (CM	84.90	USD/lb.	PR	1.1%	4.0%	19.0%	23.1%

	Metals Futures	Closing Price	Unit	Return	QTD	YTD	3Y p.a.	5Y p.a.
LP	Copper (LME)	13'654.51	USD/MT	TR	11.3%	10.5%	21.3%	9.1%
HG	Copper (CMX)	634.20	USd/lb.	TR	13.1%	11.6%	20.3%	8.1%
LA	Aluminum (LME)	3'692.42	USD/MT	TR	6.4%	26.0%	18.8%	9.5%
LN	Nickel (LME)	18'779.63	USD/MT	TR	10.5%	13.0%	-4.8%	2.4%
LX	Zinc (LME)	3'544.17	USD/MT	TR	9.8%	14.5%	15.8%	6.6%
LL	Lead (LME)	2'012.67	USD/MT	TR	6.3%	-1.4%	-1.6%	-0.6%
LT	Tin (LME)	54'119.00	USD/MT	TR	16.3%	34.8%	33.6%	17.2%
CVT	Cobalt (Comex)	26.25	USD/lb.	TR	6.1%	3.5%	4.9%	-2.6%
LJC	Lithium Carbonate - CIF CJK (CM	23.85	USD/kg	TR	1.8%	34.5%	-40.0%	-6.8%
SCO	Iron Ore - Singapore (SGX)	109.00	USD/MT	TR	2.3%	4.7%	17.8%	2.9%
KEE	Coking Coal - China (DCE)	1'590.00	CNY/MT	PR	-6.5%	8.2%	-12.5%	-9.2%
JBO	Steel Scrap - CFR Turkey (Platts	412.00	USD/MT	PR	7.5%	11.8%	2.9%	-4.0%
RBT	Steel - Rebar China (SHF)	3'146.00	CNY/MT	PR	2.5%	4.2%	-3.2%	-10.2%
GC	Gold (CMX)	4'523.20	USD/t oz.	TR	-2.8%	4.1%	30.6%	18.4%
SI	Silver (CMX)	75.89	USD/t oz.	TR	1.5%	7.8%	46.0%	21.8%
PL	Platinum (Nymex)	1'939.70	USD/t oz.	TR	-1.0%	-4.9%	22.4%	11.6%
PA	Palladium (Nymex)	1'360.30	USD/t oz.	TR	-8.2%	-17.5%	-2.3%	-13.1%

	Agricultural Futures	Closing Price	Unit	Return	QTD	YTD	3Y p.a.	5Y p.a.
C	Corn (CBT)	463.25	USd/bu.	TR	-0.6%	2.1%	-9.0%	-4.4%
W	Wheat - SRW (CBT)	646.25	USd/bu.	TR	3.6%	25.1%	-6.6%	-8.0%
KW	Wheat - HRW (KCBT)	682.00	USd/bu.	TR	5.3%	28.1%	-10.2%	-0.4%
S	Soybean (CBT)	1'196.50	USd/bu.	TR	1.4%	12.9%	1.9%	3.0%
KC	Coffee - Arabica (ICE)	272.35	USd/lb.	TR	-6.8%	-18.4%	28.1%	22.5%
DF	Coffee - Robusta (ICE)	3'622.00	USD/MT	TR				
CC	Cocoa (ICE)	3'796.00	USD/MT	TR	12.8%	-39.4%	30.0%	20.1%
SB	Sugar - No. 11 (ICE)	14.70	USd/lb.	TR	-6.1%	0.4%	-11.3%	4.4%
JO	Orange Juice - FC (ICE)	171.45	USd/lb.	TR	-9.6%	-11.8%	-0.5%	23.3%
SM	Soybean Meal (CBT)	331.90	USD/T.	TR	6.2%	9.7%	-3.6%	2.3%
BO	Soybean Oil (CBT)	73.98	USd/lb.	TR	8.2%	53.6%	18.8%	9.2%
KO	Palm Oil - Malaysia (BMD)	4'430.00	MYR/MT	TR	-5.5%	13.1%	23.3%	18.4%
JN	Rubber - Japan (OSE)	397.00	JPY/kg	TR	6.4%	13.4%	16.4%	-1.7%
LC	Live Cattle (CME)	249.30	USd/lb.	TR	1.3%	7.8%	20.1%	14.9%
FC	Feeder Cattle (CME)	349.85	USd/lb.	TR	-4.1%	4.7%	17.9%	12.4%
LH	Lean Hogs (CME)	95.75	USd/lb.	TR	-8.0%	-7.6%	11.1%	-0.4%

Commodity Equities

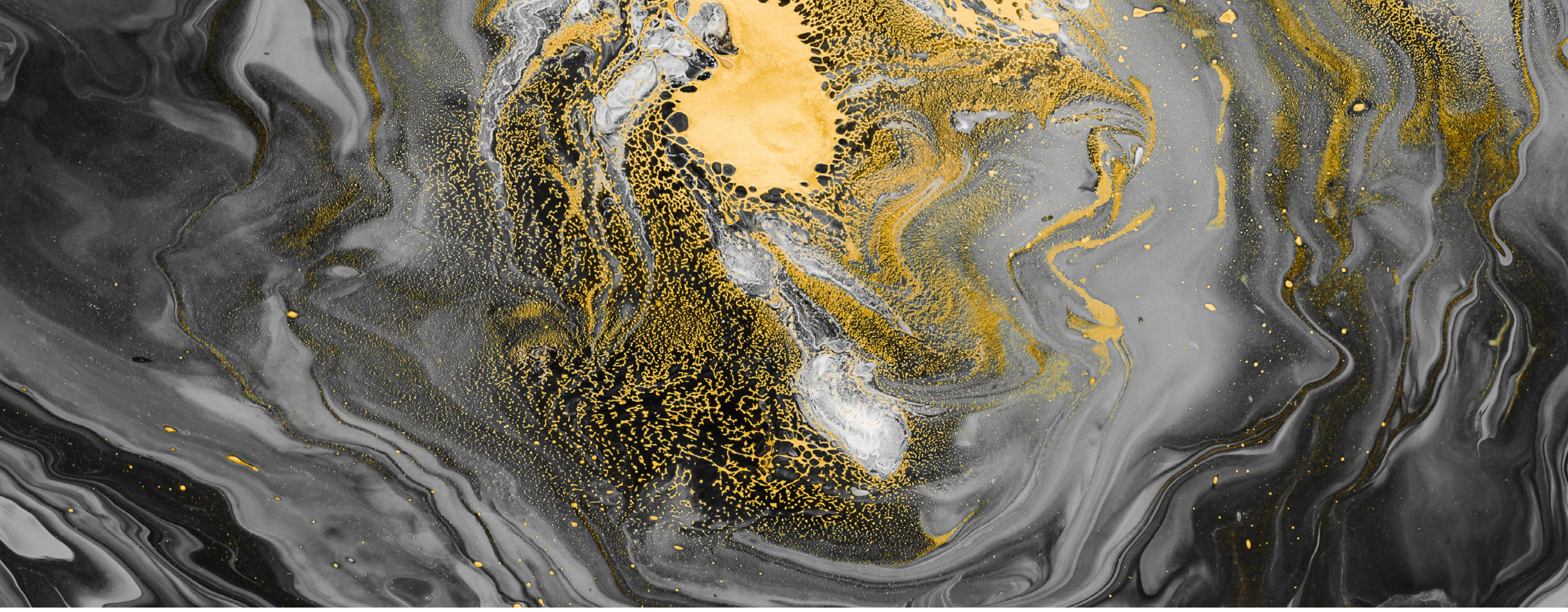
Major Oil & Gas Companies		Market Cap	Industry Group	QTD	YTD	3Y p.a.	5Y p.a.
ARAMCO AB	Saudi Aramco	1'799'185	Integrated Oil	1.8%	18.5%	0.4%	3.7%
XOM US	Exxon Mobil	642'135	Integrated Oil & Gas	-8.1%	30.5%	17.7%	25.9%
CVX US	Chevron	381'252	Integrated Oil & Gas	-6.6%	28.0%	12.5%	17.7%
857 HK	PetroChina	291'198	Integrated Oil & Gas	0.8%	28.4%	35.9%	38.5%
SHEL LN	Shell	241'684	Integrated Oil & Gas	-8.2%	19.1%	17.8%	21.6%
TTE FP	TotalEnergies	205'690	Integrated Oil & Gas	-2.2%	41.4%	21.0%	20.8%
883 HK	CNOOC	169'778	E&P - Oil	-1.9%	28.0%	39.6%	39.0%
COP US	ConocoPhillips	146'823	E&P - Oil & Gas	-8.1%	30.6%	8.5%	20.9%
PETR4 BZ	Petrobras	119'502	Integrated Oil	-4.1%	59.8%	39.7%	45.5%
BP/ LN	BP	116'652	Integrated Oil & Gas	-6.5%	30.4%	13.3%	16.6%
EQNR NO	Equinor	99'301	Integrated Oil & Gas	-9.2%	68.5%	22.8%	22.0%
CNQ CN	Canadian Natural Res	97'869	E&P - Oil Sands	0.0%	45.1%	25.3%	30.5%
386 HK	Sinopec	83'163	Integrated Oil & Gas	-1.3%	-5.8%	2.0%	10.8%
ENI IM	ENI	81'171	Integrated Oil & Gas	-4.6%	45.8%	31.7%	25.3%
SU CN	Suncor Energy	77'405	Integrated Oil Sands	2.0%	52.8%	38.6%	29.2%
EOG US	EOG Resources	75'218	E&P - Oil & Gas	-1.6%	36.8%	11.4%	17.7%
IMO CN	Imperial Oil	62'554	Integrated Oil Sands	1.9%	54.9%	45.3%	36.1%
OXY US	Occidental Petroleum	58'494	Integrated Oil & Gas	-9.5%	43.7%	1.6%	20.1%
FANG US	Diamondback Energy	56'462	E&P - Oil	2.0%	35.0%	19.1%	26.6%
DVN US	Devon Energy	54'442	E&P - Oil & Gas	-6.2%	29.6%	2.2%	19.1%
CVE CN	Cenovus Energy	54'003	Integrated Oil Sands	13.8%	78.6%	25.9%	34.2%
WDS AU	Woodisde Energy	41'851	E&P - Oil & Gas	-5.1%	51.3%	9.6%	18.6%
ONGC IN	Oil & Natural Gas Corp	37'937	Integrated Oil & Gas	0.5%	16.1%	20.8%	21.8%
EQT US	EQT	36'228	E&P - Natural Gas	-8.7%	8.7%	18.5%	22.6%
1605 JP	Inpex	29'029	E&P - Oil & Gas	-18.1%	20.6%	36.0%	34.2%
ECOPETL CB	Ecopetrol	28'497	Integrated Oil	-5.2%	46.6%	32.3%	18.0%

Major Industrial Metals Compani		Market Cap	Main Exposure	QTD	YTD	3Y p.a.	5Y p.a.
BHP AU	BHP	219'754	Iron Ore, Copper, Metallurgic	22.9%	44.3%	21.0%	16.2%
RIO LN	Rio Tinto	181'723	Iron Ore, Aluminum, Bauxite,	13.9%	33.3%	27.0%	12.8%
SCCO US	Southern Copper	149'903	Copper, Molybdenum	6.0%	28.9%	45.0%	28.0%
2899 HK	Zijin Mining	126'487	Copper, Gold	-1.3%	-5.6%	47.6%	26.5%
GMEXICOB MM	Grupo Mexico	92'601	Copper	10.9%	26.4%	45.7%	25.9%
GLEN LN	Glencore	90'014	Trading, Thermal Coal, Copp	3.5%	41.4%	16.8%	17.3%
FCX US	Freeport-McMoRan	89'114	Copper, Molybdenum	5.7%	22.6%	21.9%	10.2%
VALE3 BZ	Vale	71'231	Iron Ore	4.2%	26.1%	16.7%	6.1%
3993 HK	CMOC	62'314	Trading, Copper, Cobalt, Mol	16.7%	-3.0%	68.6%	32.1%
AAL LN	Anglo American	60'891	Iron Ore, Copper, Metallurgic	22.7%	24.7%	24.1%	8.2%
NUE US	Nucor	52'836	Steel	37.2%	42.7%	20.1%	19.6%
MT NA	ArcelorMittal	52'516	Steel	30.6%	44.4%	37.5%	18.3%
ANTO LN	Antofagasta	52'233	Copper	21.3%	20.9%	46.1%	23.0%
FMG AU	Fortescue	48'430	Iron Ore	9.7%	9.0%	16.0%	12.3%
CCO CN	Cameco	46'603	Uranium	-3.3%	14.4%	57.5%	40.4%
1378 HK	China Hongqiao	39'099	Aluminum, Alumina	-10.0%	-4.8%	81.0%	31.3%
STLD US	Steel Dynamics	34'615	Steel	33.4%	42.1%	37.1%	33.3%
TECK/B CN	Teck Resources	32'055	Copper, Zinc	21.4%	31.0%	15.1%	23.9%
2600 HK	Chalco	29'502	Aluminum, Alumina	-3.3%	-11.3%	45.1%	21.5%
TATA IN	Tata Steel	27'459	Steel	7.6%	9.2%	22.9%	10.7%
LUN CN	Lundin Mining	24'737	Copper, Zinc	10.1%	27.6%	54.8%	24.1%
FM CN	First Quantum Minerals	24'040	Copper	11.4%	-0.8%	4.4%	3.6%
NHY NO	Norsk Hydro	23'671	Aluminum, Alumina	16.9%	58.1%	27.6%	20.9%

Major Precious Metals Compani		Market Cap	Main Exposure	QTD	YTD	3Y p.a.	5Y p.a.
NEM US	Newmont	114'911	Gold	-0.6%	8.0%	38.7%	11.2%
AEM CN	Agnico Eagle	92'069	Gold	-13.2%	3.9%	51.1%	22.5%
ABX CN	Barrick Mining	71'060	Gold, Copper	-0.2%	-5.8%	34.6%	13.8%
WPM CN	Wheaton Precious Met	60'653	Gold, Silver	-3.4%	7.8%	39.2%	23.2%
ANG SJ	AngloGold Ashanti	48'315	Gold	-7.4%	5.1%	58.1%	32.0%
2259 HK	Zijin Gold International	47'648	Gold, Silver	-20.1%	-5.4%		
FNV CN	Franco-Nevada	45'090	Gold, Silver, Oil & Gas	-8.6%	9.2%	15.0%	9.6%
GFI SJ	Gold Fields	36'670	Gold	-13.1%	-8.7%	40.5%	30.7%
K CN	Kinross	35'414	Gold	-7.2%	0.7%	78.8%	31.1%
FRES LN	Fresnillo	32'139	Silver, Gold	2.0%	-0.7%	80.2%	32.3%
PAAS CN	Pan American Silver	23'602	Gold, Silver	-0.9%	4.6%	53.6%	12.1%
VAL SJ	Valterra Platinum	22'560	Palladium, Platinum, Rhodiur	-4.7%	-4.8%	17.1%	-0.7%
MNG MC	Managem	21'405	Gold, Copper, Silver	79.9%	133.2%	98.3%	57.9%
NST AU	Northern Star	20'164	Gold	-4.2%	-23.8%	18.7%	12.5%
1787 HK	Shandong Gold	19'783	Gold	-23.4%	-28.9%	17.8%	8.9%
RGLD US	Royal Gold	18'695	Gold, Silver, Zinc	-13.3%	-0.5%	20.9%	13.3%

Major Agriculture Companies		Market Cap	Main Exposure	QTD	YTD	3Y p.a.	5Y p.a.
MAADEN AB	Saudi Arabian Mining	64'403	Phosphate, Aluminum, Gold	-4.1%	1.9%	11.9%	26.6%
ADM US	Archer-Daniels-Midland	37'361	Agribusiness, Oilseeds, Nutri	7.4%	36.8%	5.3%	5.9%
NTR US	Nutrien	33'718	Potash, Phosphates, Nitroge	-7.1%	14.5%	8.9%	6.7%

Notes: All performance figures are expressed in USD. Returns are generally based on total return (TR) calulations. Return indicated by „PR" on the commodity futures side is based only on Price Returns and no total return calculation is available through an Index from S&P GSCI or Bloomberg. Indices classified as „Fut." for Commodity Futues and „Eq." for Commodity Equities. Companies are ranked by Market Capitalization in USD millions. Industry group and main exposure classifications are based on the PA database and company data. For Oil & Gas companies, a fossil fuel is considered the main exposure if it accounts for more than 75% of the company's energy mix. For Industrial and Precious Metals companies, only main exposures contributing at least 10% to revenues are shown, listed from largest to smallest exposure. More information on each company upon request. Compnay financial figures based on trailing figures.



Energy Overview

Market Commentary

Key Takeaways

- Energy security overtakes decarbonization as the primary driver of energy policy and investment decisions.
- The crisis exposed infrastructure vulnerabilities, with logistics, refining capacity, and inventories proving more critical than oil supply itself.
- Nuclear power gains momentum as governments seek secure, reliable baseload electricity amid rising AI-driven power demand.

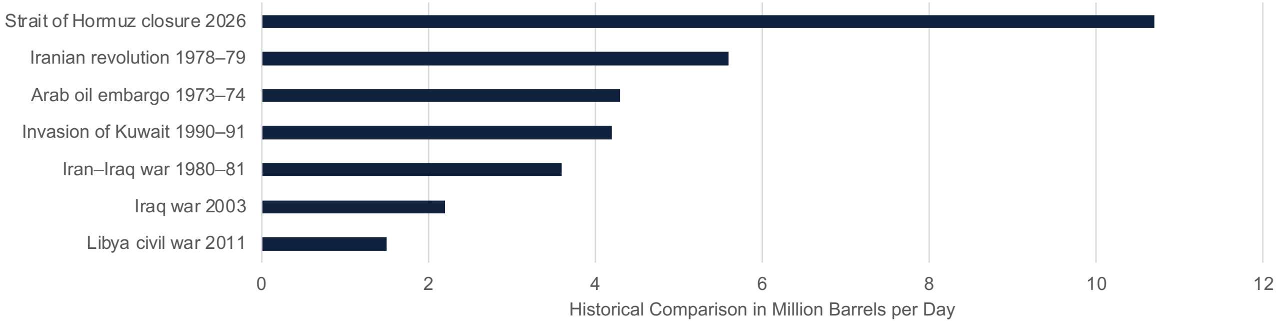
The second quarter of 2026 will be remembered as the quarter when geopolitical risk stopped being a theoretical concern and became an operational reality. The near-closure of the Strait of Hormuz — through which roughly 20% of global fossil energy exports normally flow — triggered the largest effective oil supply disruption since the 1973–74 Arab oil embargo, and rapidly evolved from a crude price shock into a systemic crisis affecting inventories, refining systems, LNG supply chains and downstream industrial feedstocks simultaneously.

What distinguished this disruption from prior oil shocks was not the price spike itself — front-month Dated Brent surged toward USD 140/bbl but stabilized well below the most extreme scenarios — but rather the nature of the constraint. The global system did not run out of oil. It began running short of flexibility. Inventories, logistics, shipping capacity and refining configuration increasingly became the binding constraints, with the IEA warning that markets could enter the „red zone“ by July and August as summer demand collides with accelerating inventory depletion.

The crisis cascaded across the entire energy complex. LNG markets fragmented as Qatar‘s export infrastructure sustained damage requiring years of repair. European gas storage entered summer at critically low levels. Refined-product shortages — in jet fuel, diesel, naphtha and LPG — proved more economically disruptive than headline crude prices, as JPMorgan described the crisis moving „down the barrel.“ Power systems faced indirect stress as gas-fired generation came under pressure, reinforcing a structural shift already underway toward resilience-first

Chart 1: Largest Oil Supply Disruption Since 1973

Sources: Bloomberg, IEA



energy policy and dispatchable baseload generation.
Against this backdrop, nuclear energy re-emerged as a geopolitical and investment priority. With global nuclear generation at an all-time high and 70 reactors under construction worldwide, the Hormuz shock powerfully reinforced the investment case for fuel-secure, domestically insulated baseload power — a case already strengthened by AI-driven electricity demand growth and governments' accelerating pivot away from maritime-dependent energy supply chains.

Energy equities absorbed the shock with notable resilience. Capital discipline held firm across the majors despite record spot prices, while M&A accelerated. Energy EPS growth at approximately 60% is among the top three sectors within the S&P 500 Index underscoring that the earnings recovery story in commodities remains broadly underappreciated by markets still focused on AI and mega-cap tech.

The deeper lesson of Q2 2026 is structural: the energy transition is no longer governed solely by decarbonization targets. It is increasingly being reorganized around security, affordability and sustainability — and increasingly in that order.

The second quarter of 2026 evolved into the largest effective **CRUDE OIL** supply disruption since the 1973–74 Arab oil embargo. At peak stress, disruptions linked to the Strait of Hormuz temporarily removed roughly 15 mb/d of crude production and nearly 20 mb/d of combined crude and refined-product exports from global markets — equivalent to almost 20% of global oil supply. What initially appeared to be a conventional geopolitical oil shock rapidly evolved into a broader operational crisis affecting inventories, shipping lanes, refining systems and downstream industrial supply chains — transitioning from a supply-driven shock into an inventory-driven balancing regime. Tanker data showed vessel traffic through Hormuz collapsing from nearly 50 oil and gas vessels per day before the conflict to an average

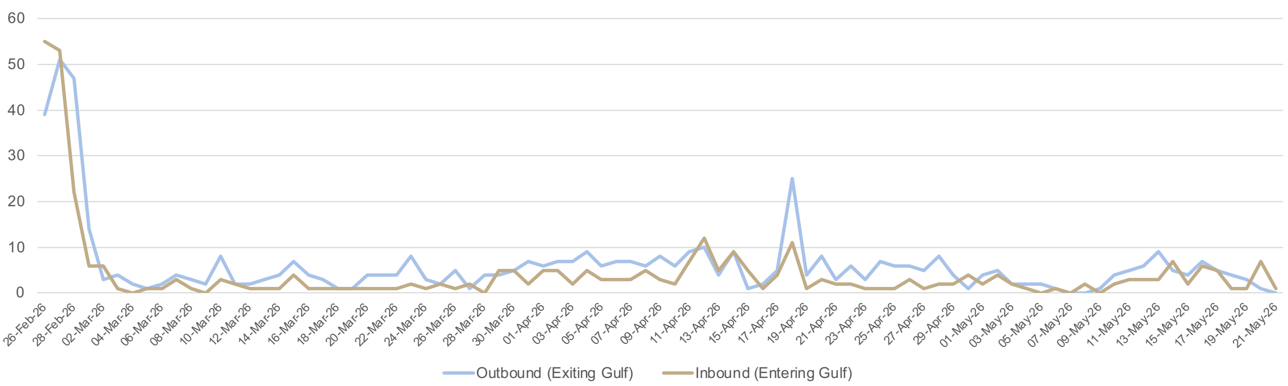
“The global economy now does far more with far less oil”

of 4–6 daily crossings during April, declining further to only 2–3 crossings per day by May — a reduction of more than 90% relative to pre-conflict levels.
Despite the scale of the disruption, oil prices stabilized well below the most extreme scenarios projected by some analysts. Front-month Dated Brent surged toward USD 140/bbl during peak escalation, but longer-dated prices remained comparatively stable and real inflation-adjusted levels stayed below historical peaks from the 1970s and 2008. Two structural factors explain this relative resilience. First, the global economy operates dramatically more efficiently on oil than in prior decades — in 1965, the world required roughly 5.3 barrels to generate USD 1,000 of global GDP; by 2024, that figure had fallen to just 0.3 barrels, approximately 94% more efficient. Second, large inventory buffers accumulated during 2024–2025 provided a critical shock-absorbing cushion. According to the IEA, global inventories declined by roughly 247 million barrels during March and April alone, while Goldman Sachs estimated visible inventory draws averaged approximately 8.7 mb/d during May.

However, lower oil intensity and large nominal inventories do not eliminate physical bottlenecks. JPMorgan estimated global visible inventories began 2026 near 8.4 billion barrels, but only 0.7–0.8 billion barrels were realistically accessible without pushing the system into operational stress. This is what fundamentally differentiates the current crisis from prior oil shocks: the market is no longer asking whether inventories exist nominally, but whether they remain operationally usable. Once inventories approach these operational floors, physical stress can escalate nonlinearly even when large headline stockpiles

Chart 2: Number of commercial ships passing through the Strait of Hormuz

Sources: Vessel tracking data compiled by Bloomberg



appear to exist on paper. The IEA warned that oil markets could enter the „red zone“ during July and August as peak summer demand collides with accelerating inventory depletion and the continued absence of normal Middle Eastern exports.

The market simultaneously shifted toward balancing through demand destruction. UBS now expects global oil demand to contract by roughly 0.5 mb/d in 2026, with second-quarter demand down approximately 2.6 mb/d year-on-year. The IEA revised its 2026 demand forecast to a contraction of 420 kb/d. China emerged as the clearest example: state refiners reportedly reduced throughput from nearly 10 mb/d before the conflict to roughly 8.4 mb/d during May, while crude imports declined by more than 4 mb/d relative to pre-war levels.

The crisis also exposed a widening divergence between futures markets and physical oil conditions. While Brent futures stabilized below the most extreme forecasts, physical cargoes, freight rates, war-risk insurance premia and nearby crude differentials continued reflecting severe scarcity — with analysts increasingly describing the market as effectively operating with two prices: one financial and one physical. The Atlantic Basin provided partial relief, with US crude exports rising toward 5.6 mb/d during May, approximately 2.1 mb/d above year-earlier levels. However, analysts increasingly warned that this export strength was being financed through accelerated inventory depletion rather than sustainable production growth, with global crude flow deficits potentially widening toward 8 mb/d year-over-year by July even assuming elevated US exports.

Geopolitical risk simultaneously expanded beyond Hormuz itself. Iranian and Houthi threats against Gulf energy infrastructure and Bab el-Mandeb shipping routes raised the possibility of a broader maritime energy crisis, while NATO discussions regarding escort missions through Hormuz reinforced the severity of the disruption.

One of the most consequential structural developments of the quarter extended well beyond the physical disruption itself. After nearly six decades of membership, the UAE announced its exit from OPEC on April 28 and formally departed on May 1 — blindsiding fellow members and marking the most significant fracture in the alliance‘s history. The split reflects years of accumulated tension: Abu Dhabi had long been constrained to roughly 3.2 mboe/d despite production capacity exceeding 4.8 mboe/d, and is targeting 5 mboe/d by 2027. State oil company ADNOC simultaneously announced USD 55 billion in project awards to accelerate that expansion. The immediate market impact remains limited — the UAE cannot ship oil it cannot sail — but the strategic implications are profound. Abu Dhabi simultaneously accelerated expansion of the Fujairah export corridor, targeting roughly 1.5 mb/d of bypass capacity by 2027 and reducing its long-term dependence on Hormuz transit. Saudi Arabia similarly continued expanding Red Sea export infrastructure. However, these pipelines remain incapable of fully replacing maritime tanker capacity — particularly for LNG and refined products — meaning the structural vulnerability of the Hormuz chokepoint will persist for years. Once the waterway reopens, Abu Dhabi will be free to ramp production without quota constraints, potentially setting the stage for a structural shift in OPEC+ discipline and future price dynamics. The UAE‘s departure may ultimately prove as consequential for long-term oil market structure as the Hormuz closure itself.

Ultimately, Q2 2026 demonstrated that the modern oil market is no longer governed solely by geology or production capacity, but increasingly by logistics, geography, inventories and operational resilience. The global system did not run out of oil — it began running short of flexibility.

One of the defining characteristics of Q2 2026 was the migration of stress from crude oil markets toward **DOWNSTREAM REFINING** stems and **REFINED-PRODUCT** balances. JPMorgan described this process as the crisis moving „down the barrel“ — reflecting how the true bottleneck increasingly shifted away from crude supply itself and toward usable products such as diesel, jet fuel, LPG, naphtha and petrochemical feedstocks. This distinction proved critically important. Modern economies consume refined products rather than crude oil itself. Airlines require

jet fuel, trucking systems require diesel, petrochemical plants require naphtha and LPG, and fertilizer production depends heavily on natural gas liquids and refined feedstocks. Downstream product shortages therefore became more economically relevant than headline Brent prices.
The Strait of Hormuz normally handles roughly 5 mb/d of refined-product exports. During the conflict, Gulf product loadings collapsed sharply, with some days effectively seeing zero loadings leaving the region. Asia and Europe were disproportionately exposed given their structural dependence on imported middle distillates and petrochemical feedstocks from the Persian Gulf. Goldman Sachs increasingly emphasized that the core problem was not aggregate crude availability, but localized refined-product scarcity — describing a market where „aggregate inventories remain adequate, but local shortages are severe.“ Commercial refined-product inventories were tight by the end of May.

“The crisis exposed a shortage of products, not crude”

Jet fuel emerged as one of the clearest pressure points. Goldman estimated Europe‘s jet fuel imports fell roughly 60% below 2025 average levels during the quarter due to missing Gulf cargoes and limited replacement capacity, with the IEA reportedly warning that Europe had only around six weeks of jet fuel inventories remaining during parts of April. Diesel balances also tightened materially, with Eurasia Group projecting US diesel inventories could fall below 100 million barrels by late May — the lowest level since 2003. Several Asian economies including Thailand, Taiwan and India approached critically low refined-product inventory levels during the quarter.

The refining system itself increasingly became the key operational bottleneck. Refiners struggled to secure appropriate crude grades, maintain throughput rates and optimize product yields under unstable shipping conditions and fragmented trade flows, while product cracks widened materially as refiners prioritized middle distillates over gasoline production.

The petrochemical chain simultaneously emerged as a major secondary casualty. Goldman reported naphtha inventories fell 72% in Fujairah and 37% in Northwest Europe ARA relative to end-February levels, while LPG and ethane shortages increasingly disrupted plastics manufacturing, fertilizer production and chemical supply chains across Asia and Europe.
The quarter ultimately reinforced a critical structural insight: the real economic stress of an oil shock increasingly appears downstream. Crude prices can stabilize while refined-product markets remain acutely tight, because the constraint is no longer merely supply in the ground but refining configuration, logistics, shipping capacity and local inventory availability.

NATURAL GAS and global **LNG** markets experienced severe fragmentation throughout the quarter as disruptions to Persian Gulf shipping routes materially impacted seaborne gas trade. Unlike crude oil, LNG systems possess far less flexibility: pipelines cannot easily reroute global flows, inventories are structurally smaller and replacement cargoes require weeks or months to redirect. LNG therefore remained highly exposed to maritime chokepoints in ways that crude markets — with their broader rerouting options — partially avoided.

Qatar became the central focal point. Iranian missile strikes reportedly damaged two of Qatar‘s fourteen LNG trains, equivalent to approximately 10–13 mtpa of export capacity or roughly 13–17% of Qatari LNG supply. QatarEnergy reportedly warned that repairs could require between three and five years — a timeline that, if confirmed, would represent a structural shift in global LNG supply balances extending well beyond the immediate crisis.

European gas markets entered the disruption structurally vulnerable. EU gas storage stood at only 37% full as of 20 May, compared with roughly 46% a year earlier and a seasonal average near 51%. Net storage injections during May ran approximately 25% below normal seasonal pace, with UBS estimating EU storage could reach only 71–78% by October — materially below the historical norms required for comfortable winter supply. European LNG imports de-

clined roughly 7% year-on-year in May, while Northeast Asian LNG imports fell approximately 12% year-on-year, reflecting both supply disruptions and demand-side adjustments as high prices suppressed industrial and power-sector consumption.
The crisis reinforced a broader structural transformation already underway since 2022. Europe had significantly reduced dependence on Russian pipeline gas, with America's share of EU LNG imports rising from roughly 28% in 2021 to around 60% by late 2025. However, the Hormuz disruption demonstrated that diversification does not eliminate vulnerability — it merely changes its geography. A system that replaced Russian pipeline exposure with Gulf and US LNG dependence remained exposed to maritime chokepoints through a different route.

The quarter also accelerated geopolitical competition for future LNG supply. Russia accelerated negotiations around the proposed 50 bcm/year Power of Siberia 2 pipeline toward China, while US LNG exporters simultaneously pushed European buyers for greater contractual flexibility amid tightening global supply conditions. Despite near-term stress, buyers retained some longer-term leverage given the coming wave of North American LNG expansion, with export capacity projected to more than double between 2024 and 2028, potentially adding 50–70 mtpa of incremental supply.

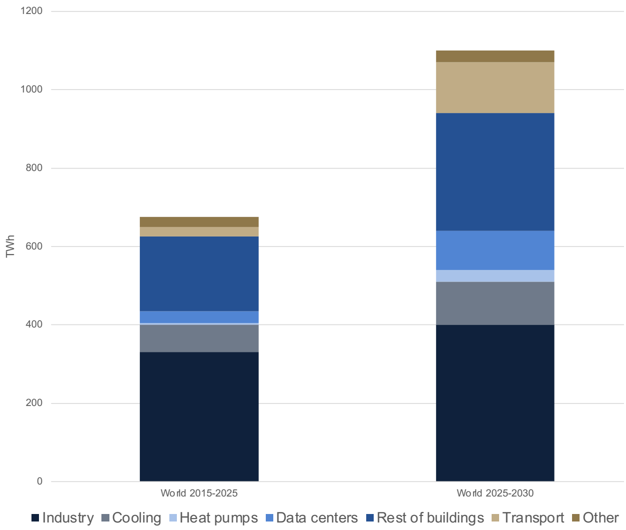
Natural gas fundamentals themselves remained comparatively balanced during much of the quarter, supported by a warm end to the Northern Hemisphere winter and weak early cooling demand, with US gas storage remaining roughly 140 Bcf above the five-year average. However, this domestic balance increasingly diverged from international LNG market stress — a reminder that Henry Hub pricing and global LNG conditions can decouple sharply during supply disruptions.

The broader strategic implication was clear: globally integrated LNG systems remain structurally vulnerable to geopolitical fragmentation, shipping disruptions and infrastructure bottlenecks. As a result, governments accelerated investments into LNG import terminals, storage infrastructure, pipeline diversification and domestic generation capacity — a structural shift in energy-infrastructure spending that is likely to persist long after the immediate crisis resolves.

The Hormuz crisis reinforced that modern economies ultimately run not on crude oil itself, but on reliable **ELECTRICITY** systems. While oil and LNG dominated headlines, the deeper issue increasingly became **POWER** security, grid stability and access to dispatchable generation. Natural gas remains the marginal fuel for electricity pricing across much of Europe and Asia, meaning LNG disruptions translated directly into power-market stress. Simultaneously, diesel and fuel oil continue to play critical backup roles across industrial systems and emerging markets — linking refined-product shortages directly into electricity reliability.

Chart 3: Electricity is growing faster than the Economy

Source: IEA



The crisis arrived at a moment of profound structural transformation in global electricity markets. For the first time in decades, electricity demand is growing faster than the overall economy — and faster than total global energy consumption. Global electricity consumption is projected to grow by around 1,100 TWh per year through 2030 — approximately 60% faster than the previous decade and the first period in decades where electricity demand consistently outpaces overall economic growth. Critically, the composition of this demand growth is shifting materially: while industry and buildings remain the largest contributors, data centres are emerging as one of the fastest-growing incremental demand sources globally, with transport electrification adding a further structural layer. In the United States alone, around 50% of demand growth by 2030 is expected to come from data centres driven by the AI boom.

"Electricity demand is now growing faster than GDP and total energy demand for the first time in decades."

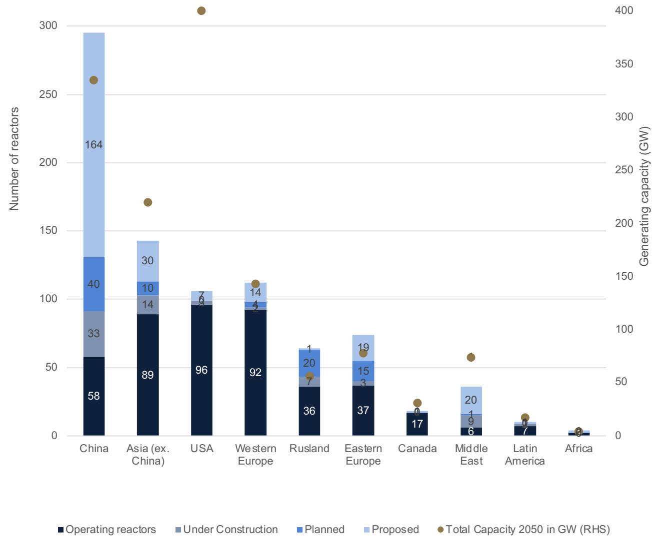
Against this backdrop, the physical infrastructure underpinning electricity systems is increasingly becoming the binding constraint. Power grids across developed markets largely date back to the 1960s and 1970s and are approaching the end of their operational lifespan — precisely as demand begins to accelerate at its fastest pace in a generation. The combination of ageing infrastructure and exploding demand creates a structural investment imperative that is unlikely to be resolved quickly or cheaply.

Europe's power system initially demonstrated some near-term resilience during the Hormuz disruption. UBS reported EU gas-fired electricity generation declined approximately 6% year-on-year during April as renewable output partially offset weaker gas availability: wind generation increased 14%, solar rose 11% and nuclear output increased 4%. However, this resilience does not eliminate structural vulnerability. Gas remains central to balancing intermittent renewable systems, particularly during peak summer cooling demand and winter heating seasons. If LNG tightness intensifies further, power prices and industrial electricity costs could rise materially — with second-order effects on manufacturing competitiveness, consumer spending and monetary policy.

The crisis accelerated a broader structural shift already

underway since Europe's 2022 energy shock: the transition from an efficiency-first energy system toward a resilience-first system. Governments increasingly prioritized redundancy, domestic generation capacity, emergency reserves and dispatchable baseload power rather than pure cost optimization. Nuclear power, hydroelectricity, domestic natural gas and grid-scale storage all became structurally more valuable in a world where maritime energy supply chains are vulnerable to disruption.
In many ways, Q2 2026 demonstrated that the energy transition is no longer governed solely by decarbonization

Chart 4: Nuclear with a record output and record pipeline
Source: IEA



targets. It is increasingly being reorganized around three simultaneous priorities — security, affordability and sustainability — and increasingly in that order.

Although **URANIUM** markets were less directly affected by the Strait of Hormuz disruption than oil and LNG, the broader geopolitical fragmentation of global energy systems materially strengthened the investment and policy case for **NUCLEAR** energy throughout the quarter.

The crisis demonstrated with unusual clarity the vulnerability of globally integrated hydrocarbon supply chains and reinforced the importance of domestic baseload electricity generation insulated from maritime chokepoints. Governments across Europe, Asia and North America increasingly recognized that dispatchable, fuel-secure baseload power — the defining characteristic of nuclear generation — carries a structural premium in a world of fragmented energy trade.

The structural backdrop for nuclear was already exceptionally strong entering the quarter. Global nuclear generation reached an all-time high of 2,667 TWh in 2024, with 70 reactors currently under construction worldwide. The IEA's Net Zero pathway requires nuclear capacity to more than double from approximately 397 GWe today to over 900 GWe by 2050 — cementing nuclear as essential baseload alongside renewables rather than a transitional technology. China sits at the centre of this expansion: with 33 reactors under construction and 164 planned or proposed — targeting approximately 340 GW of total capacity by 2050 — it is the sole country with a credible bottom-up project base capable of meeting its 2050 targets. The United States, with 96 operating reactors and a 2050 capacity target of approximately 400 GW, theoretically represents the largest single opportunity — but with only 7 reactors currently under construction, the gap between ambition and execution remains stark, a point the World Nuclear Association underscores in describing the US 400 GWe target as „predominantly aspirational." Asia ex-China presents a further substantial pipeline, with 89 operating reactors and 54 under construction or planned across the region, while Western Europe's 92 operating reactors face increasing pressure to extend lifetimes as energy security concerns override earlier phase-out commitments.

The AI-driven power demand narrative simultaneously emerged as one of the strongest secular tailwinds for nuclear energy during the quarter. The EIA noted that small modular reactors and microreactors are increasingly being evaluated for AI infrastructure, data centres, industrial loads, remote communities and dedicated behind-the-meter baseload power for hyperscale compute facilities — applications where grid reliability cannot be guaranteed and where the economics of dedicated generation are compelling. The intersection of energy security and AI power demand is creating a policy and investment environment for nuclear that is arguably the most supportive in decades.
This was reflected in concrete policy and regulatory developments during the quarter. New Jersey lifted its 50-year ban on building new nuclear reactors, reinforcing the broader reversal of anti-nuclear sentiment across US states. Japan's position is particularly illustrative of the energy security dimension. The country remains heavily dependent on imported LNG and oil transported through maritime routes. Higher LNG prices, product shortages and acute energy-security concerns therefore strengthened political and economic support for nuclear restarts, storage investments and domestic generation capacity expansion — dynamics that are likely to persist well beyond the immediate crisis.
The uranium investment thesis is now supported by four converging structural pillars: decarbonization objectives, accelerating electrification and AI-related power demand growth, energy security concerns reinforced by the Hormuz shock, and persistently constrained supply following years of underinvestment and limited greenfield development.

ENERGY EQUITIES continued outperforming broader equity markets throughout much of Q2 2026, supported by elevated commodity prices, widening refining margins, record operating cash flows and renewed investor focus on energy security and real assets. On a market-cap weighted basis, Energy ranks second in S&P 500 EPS growth at approximately 60% — explored in depth alongside Materials in the Industrial Metals section — underscoring that the earnings recovery story in commodities remains broadly underappreciated by markets still focused on AI and mega-cap tech.

Yet the sector's representation within the broader market tells a striking story. Because equity markets advanced more rapidly than energy shares during the conflict period, the sector's weighting within the S&P 500 has actually drifted slightly lower since the crisis began. Energy today represents only approximately 3.3% of the index — a small fraction of the roughly 16% weighting reached during the 2008 commodity peak, and not dramatically above the all-time lows recorded during the depths of the COVID collapse. For a sector generating record free cash flow during the largest oil supply disruption in half a century, this structural underweighting is remarkable — and represents one of the more compelling positioning anomalies in today's

Chart 5: Energy Equities makes up <4% of the S&P 500 Index, less than half its 20-year average
Source: IEA

equity market.

Importantly, the strength in energy equities increasingly extended beyond a short-term geopolitical hedge. Longer-dated oil prices remained comparatively stable even as front-month crude surged, reinforcing the view that equity valuations are driven more by long-term price expectations, capital discipline and free cash flow durability than by temporary spot-market volatility. Despite the historic supply shock and surging spot prices, the majors responded with notable restraint. Exxon Mobil and Chevron delivered stronger-than-expected first-quarter earnings yet both companies firmly maintained pre-war spending plans and dismissed calls to boost output. The capital allocation data tells a clear story: since 2022, Exxon, Chevron and ConocoPhillips have collectively spent USD 301 billion on dividends and buybacks versus USD 222 billion in capital expenditures. As Chevron CEO Mike Wirth put it: „We could hit the gas and begin to grow again. But I don‘t know what the future looks like.“ Both CEOs simultaneously warned that even after Hormuz reopens, it could take one to two months for flows to fully normalise — reinforcing that the supply crunch is far from over. US shale remained equally disciplined: Baker Hughes data showed US oil drilling rigs down roughly 11% year-on-year despite higher spot prices, while breakeven prices for new wells had risen toward USD 66–70/bbl nationally — limiting the supply response that historically would have capped price recoveries.

“Since 2022, shareholder payouts at Exxon, Chevron, and ConocoPhillips have totaled $301bn, exceeding $222bn in capex.”

Corporate activity accelerated meaningfully during the quarter, with M&A increasingly reflecting the geography-first logic now governing commodity markets. US upstream deal value reached USD 38 billion in Q1 2026 — the highest quarterly total in two years — even as activity temporarily cooled in March amid the initial volatility of the Iran conflict. Higher oil prices are expected to accelerate a rebound in dealmaking, with continued corporate consolidation and more private exploration and production companies pursuing sales as the case for higher-for-longer oil prices strengthens.

The quarter‘s defining transaction was Devon Energy‘s all-stock merger with Coterra Energy, creating one of the world‘s leading shale operators with pro-forma production exceeding 1.6 mmboe/d and a combined enterprise value of approximately USD 58 billion. That the deal closed in May 2026 — at the height of the Hormuz disruption — underscores that strategic consolidation logic is proving more durable than short-term geopolitical volatility. Shell‘s acquisition of Canadian Montney producer ARC Resources at USD 16.4 billion enterprise value exemplifies what investors increasingly reward beyond US borders: low-cost, long-duration resources outside the Middle East, integrated into a world-class LNG value chain and delivered with balance sheet discipline intact. The deal boosts Shell‘s production CAGR from 1% to 4% through 2030 all without altering Shell‘s existing capex guidance or shareholder distribution policy. Eni meanwhile demonstrated that near-term earnings volatility need not undermine long-term confidence: despite a Q1 2026 miss driven by timing effects, the company nearly doubled its full-year buyback guidance to EUR 2.8 billion and raised full-year operating cash flow guidance 20% to EUR 13.8 billion. Across all three transactions, a common thread emerges: companies are not waiting for geopolitical clarity before committing capital.

One of the most significant conceptual shifts of the quarter was the emergence of a geography-first commodity order replacing the previous geology-first system. Ownership of resources alone is no longer sufficient — the critical variable becomes whether those resources can reliably reach end markets through secure logistics, export infrastructure and stable jurisdictions. Companies with Atlantic Basin exposure, integrated downstream businesses and diversified export routes increasingly commanded valuation premiums over pure resource-holders without infrastructure optionality.

Ultimately, Q2 2026 reinforced that energy has re-emerged not merely as a cyclical sector, but as a structurally repriced asset class increasingly shaped by geopolitics, infrastructure scarcity, security concerns and physical-system resilience.

Industrial Metals

Market Commentary

Key Takeaways

- The Hormuz crisis exposed hidden supply-chain vulnerabilities, with chemical inputs and logistics becoming critical bottlenecks across industrial metals markets.
- Copper and aluminium increasingly trade as strategic infrastructure assets, supported by electrification, AI-driven power demand, and growing supply constraints.
- Supply-chain resilience now matters as much as resource ownership, rewarding companies with secure inputs, diversified logistics, and geopolitical advantages.

Industrial metals markets in Q2 2026 were defined by a single unifying theme that cut across almost every sub-sector: the Strait of Hormuz disruption did not merely raise energy prices — it fractured the industrial chemistry underpinning global metals production. Sulfuric acid, sulfur, naphtha, LPG and natural gas — inputs most investors had never considered as commodity risk factors — emerged as critical bottlenecks simultaneously disrupting copper, aluminium, nickel, zinc and fertilizer supply chains. The crisis revealed that global metals markets are far more dependent on Middle Eastern chemical and energy flows than headline production data had suggested.

What distinguished this shock from prior commodity disruptions was its cascading nature. The Hormuz closure did not create a single bottleneck — it created many simultaneously. Copper faced sulfuric acid shortages threatening SX-EW processing across Chile and the DRC. Aluminium lost nearly 4% of global primary supply as Middle Eastern smelters sustained damage requiring months or years to repair. Nickel‘s Indonesian HPAL expansion — the sector‘s primary growth engine — was directly exposed through sulfur import dependency. Even zinc, iron ore and steel were affected through freight inflation, input-cost pressures and demand destruction rather than direct supply-chain breaks.

Copper increasingly emerged as the quarter‘s defining metal — not because of the Hormuz disruption alone, but because the crisis accelerated a broader repricing of the metal from cyclical industrial commodity to critical infrastructure asset. The convergence of AI-driven data-centre demand, accelerating grid investment, persistent supply underinvestment and now chemical-input vulnerability has created a structural bull case that is increasingly difficult to dismiss on cyclical grounds alone.

Aluminium told a similarly structural story, but with an important distinction: supply disruptions in smelting are uniquely persistent. Unlike oil wells or mines, frozen aluminium pots and damaged smelter infrastructure cannot simply restart when conditions normalize. Goldman‘s shift from a projected 550 kt surplus to a 570 kt deficit within a single quarter — a swing of over 1.1 mt — illustrated how quickly aluminium balances can reverse when geopolitical risk intersects with capital-intensive, energy-dependent production systems.

Across the broader complex, the quarter reinforced a theme that is likely to define industrial metals investing for years: the transition from a geology-first world — where owning the resource was the primary source of value — toward a system-first world, where logistics, input-supply security, processing infrastructure and geopolitical positioning matter as much as the ore body itself. Companies with advantaged supply chains, low input-cost exposure and secure access to end markets increasingly command a structural premium. Those dependent on vulnerable chemical inputs, exposed shipping routes or single-jurisdiction processing face a materially different risk profile than their reserve bases alone would suggest.

When S&P 500 earnings growth is viewed on a market-cap weighted basis, the narrative shifts decisively toward real assets. Materials tops the ranking with over 100% expected EPS growth — driven by large-cap mining names alongside a broad chemical sector recovery — while Energy follows with approximately 60% growth. Together, these two sectors represent the most compelling earnings momentum story in the index, one that goes largely unnoticed in a market conversation still dominated by AI and mega-cap tech. Away from the AI spotlight, commodities offer a rare combination of cyclical earnings recovery, tangible asset backing and still-undemanding valuations — a setup that has historically preceded significant sector re-rating.

The deeper lesson of Q2 2026 is structural: industrial metals are no longer purely cyclical. They have become structurally repriced assets at the intersection of energy security, electrification, AI infrastructure and national resilience — and the Hormuz crisis made that case more powerfully than any analyst note could.

COPPER markets spent much of Q2 trapped between two opposing forces: weakening cyclical macro conditions on one side and increasingly acute structural supply constraints on the other. Near-term price action initially reflected concerns around slower global growth and tighter financial conditions following the Hormuz disruption, with some analysts revising their 2026 supply-demand models toward surplus on weaker demand expectations. However, copper demand proved materially more resilient than many cyclical commodities, and the market progressively shifted toward viewing copper less as a traditional industrial metal and more as critical grid infrastructure tied to electrification, power-grid expansion, AI data centres and energy security.

Bloomberg noted copper has recently traded in unusually close correlation with technology equities such as Nvidia and ASML, as investors increasingly price in rising demand from data centres, transmission infrastructure and electrical equipment required to support AI expansion. Estimates for incremental copper demand from data centres vary widely — from roughly 125 kt annually over recent years to projections exceeding 1 mt later this decade — with Mercuria estimating AI-related demand growth could reach approximately 350 kt in 2026 alone.

> *"Copper is increasingly valued as the backbone of electrification and energy security."*

The most important — and most underappreciated — development of the quarter was the emergence of sulfuric acid as a critical hidden bottleneck within global copper supply chains. Approximately 17% of global refined copper production relies on SX-EW processing, which requires sulfuric acid as a primary input. Roughly 50% of global seaborne sulfur trade normally transits through the Strait of Hormuz, making this supply chain acutely exposed to the conflict. Sulfur prices rose approximately 70% following the onset of disruptions, while Chilean CFR Mejillones sulfuric acid benchmarks surged from USD 190/mt before the conflict to USD 380/mt by mid-April — effectively doubling within seven weeks. The situation was then compounded by China's announcement on 10 April 2026 that it would halt sulfuric acid exports from 1 May, removing approximately 4.6 mt of annual supply — including roughly 37% of Chilean import requirements — from global markets in a single policy decision.

Chile emerged as one of the most exposed regions globally. The country imports more than 1 mt of sulfuric acid annually, while approximately one fifth of Chilean copper production depends on acid-based heap-leach processing. Chilean buyers had covered much of their H1 2026 requirements but left significant H2 volumes uncovered, creating an urgent scramble for alternative supply sources. Supply disruptions also intensified in the Democratic Republic of Congo, where miners including CMOC, Glencore and Eurasian Resources reportedly faced cancelled sulfuric acid and sodium metabisulfite shipments, raising concerns over copper and cobalt production cuts. Premiums for chemicals shipped through Dar es Salaam nearly doubled after the conflict began, while delivery times extended from roughly three months to as long as six months.

Meanwhile, the broader copper market remained structurally tight despite softer macro conditions. JPMorgan continued emphasizing highly constructive medium-term fundamentals due to project delays, declining ore grades, disruptions at Kamoa-Kakula and persistent underinvestment. Freeport's Grasberg restart delays further reinforced this tightening: following the 2025 mud-rush incident, the operation is now expected to run at only around 65% of capacity during H2 2026 versus prior expectations of 85%, removing roughly 90 kt from 2026 supply balances and a further 135 kt from 2027. Chile simultaneously lowered its national production outlook to approximately 5.3 mt for 2026 from prior expectations of 5.6 mt due to lower ore grades, maintenance and operational constraints.

The discovery data tells a sobering story: while the period from 1985 to 2000 yielded 102 major copper discoveries totalling 636 million metric tonnes of copper, the following decade produced only 84 discoveries at 419 mmt — and the most recent period since 2012 has delivered just 25 discoveries totalling only 120 mmt. Critically, average ore grades across new discoveries have declined materially over the same period, meaning that even the projects that are found are harder and more expensive to develop. With development timelines averaging 16–18 years from discovery to production, the pipeline implications for the mid-2030s are already largely locked in — and they point to structural scarcity rather than cyclical tightness.

Jefferies argued copper prices now increasingly reflect scarcity value and security of supply rather than cyclical industrial demand alone — currently trading roughly 150% above the 90th-percentile C1 cost curve and nearly 100% above C2 marginal costs, materially above historical norms.

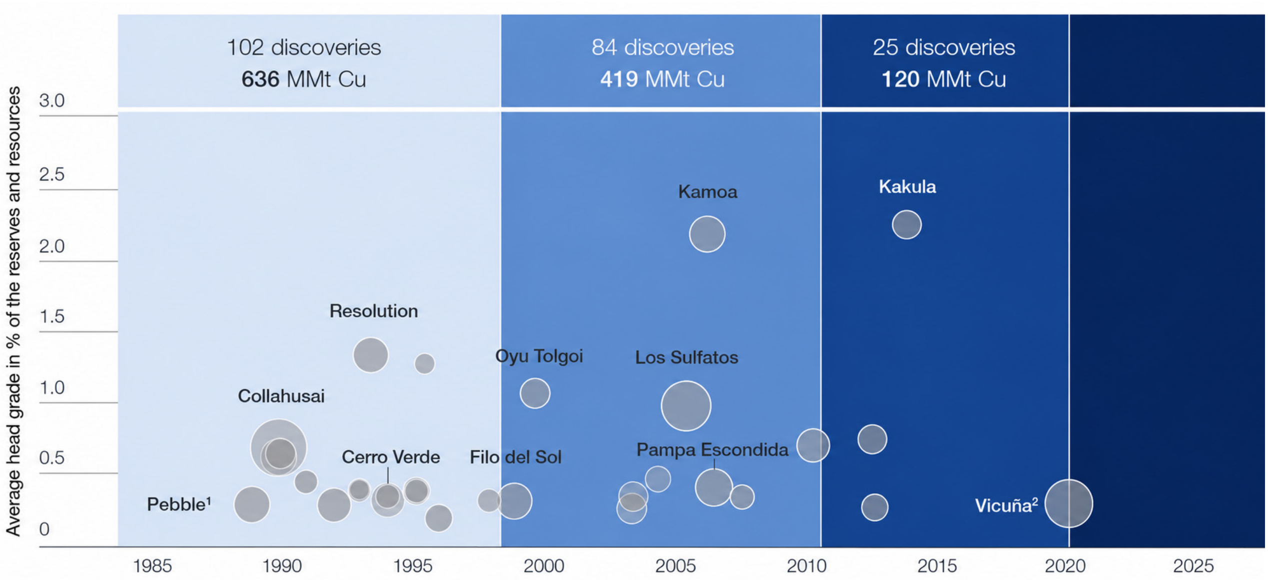
Ultimately, the quarter reinforced that copper increasingly behaves as a structurally repriced commodity positioned at the intersection of electrification, AI infrastructure, energy security and supply scarcity.

ALUMINIUM emerged as one of the clearest industrial-metal beneficiaries — and casualties — of the Hormuz crisis, due to the extraordinary concentration of global smelting capacity within the Middle East. The region produced approximately 6.7–6.8 mt of primary aluminium in 2025, equivalent to roughly 23% of ex-China supply and approximately 9% of total global production.

Iranian missile strikes and shipping disruptions materially impaired this production base. Emirates Global Aluminium's 1.6 mtpa Al Taweelah complex sustained significant damage, while Aluminium Bahrain's Alba facility experienced major disruptions — together representing roughly 4% of global primary aluminium supply. Crucially, the market quickly recognized that aluminium supply disruptions are uniquely persistent relative to other commodities. Unlike oil production, aluminium smelters cannot simply restart once power or feedstock interruptions occur. Frozen pots and damaged infrastructure routinely require months — or even years — to fully recover. JPMorgan estimated roughly 4% of global aluminium supply had been damaged

Chart 6: No major Copper discoveries

Source: IEA



or disrupted and warned that impacts could extend well into 2027. Goldman similarly noted that restart timelines for damaged capacity would likely exceed six months, and potentially materially longer for heavily impaired facilities.

> *“A 1.1 mt forecast swing in one quarter took Goldman’s 2026 aluminium outlook from surplus to deficit.”*

Additional disruptions spread rapidly across the region. Aluminium Bahrain initiated phased shutdowns across three production lines representing roughly 19% of its 1.6 mtpa capacity as it attempted to preserve raw-material inventories while shipping routes remained constrained. Qatar‘s Qatalum operation reduced production to approximately 60% of smelter capacity following natural-gas shortages linked to the conflict, while India‘s Hindalco suspended sales of certain extruded aluminium products following gas-supply disruptions. Several smelters simultaneously faced operational damage and raw-material shortages — including constrained alumina flows through Hormuz itself — forcing partial curtailments totalling roughly 600 ktpa across the region.

The supply shock rapidly transformed market balances. Goldman shifted its 2026 aluminium outlook from a projected 550 kt surplus to a 570 kt deficit — a swing of over 1.1 mt within a single quarter. Even after partial de-escalation, UBS estimated more than 3 mt of aluminium supply had been disrupted across the region, with deficits likely persisting over the next one to two years regardless of whether shipping flows through Hormuz normalize.

As electrification, grid expansion, transport and defense systems continue to drive structural demand growth, aluminium‘s supply vulnerability has become a defining feature of the global energy-transition outlook.

NICKEL markets experienced one of the sharpest supply-side reversals of any major industrial metal during Q2. For much of the past decade, nickel markets had been defined by relentless Indonesian supply growth. However, the Hormuz crisis intersected with tightening ore quotas, sulfur shortages and operational disruptions to produce the first meaningful supply tightening cycle in years.
The core vulnerability again centered on sulfuric acid. Indonesia‘s HPAL operations — which produce battery-grade nickel intermediates — rely heavily on sulfuric acid inputs, with the Middle East normally supplying approximately 75–80% of Indonesia‘s sulfur requirements. Spot sulfur prices reportedly surged from roughly USD 500/t before the conflict to more than USD 800/t during the disruption, with sulfur costs rising from approximately 25% to 30–35% of HPAL operating expenses. Several MHP producers backed by Huayou Cobalt, Lygend and Tsingshan reportedly reduced output by at least 10% following sulfur shortages and tightening margins.

Indonesian ore quotas simultaneously tightened far more aggressively than initially expected. Weda Bay, representing roughly 10% of global supply, reportedly received sharply lower ore allocations, while operational disruptions at QMB and Gunbuster further tightened balances. As a result, Goldman reduced its projected 2026 refined nickel surplus from 191 kt to only 48 kt — a dramatic compression reflecting both supply disruptions and rising regulatory intervention across the Indonesian production system. UBS argued that rising ore benchmark prices, export levies and tighter RKAB quotas are materially increasing the industry cost floor while simultaneously constraining refined supply growth.

Despite this tightening, visible inventories remained comparatively elevated. The market increasingly appears caught between structurally tightening supply conditions on one side and weaker stainless-steel demand linked to slowing global manufacturing on the other — leaving nickel as the most nuanced and policy-sensitive metal in the complex.

ZINC and **LEAD** markets remained comparatively less visible during the quarter, but both metals increasingly reflected the broader fragmentation of global industrial supply chains. Zinc prices gradually strengthened as inventories tightened, with Chinese zinc inventories continuing to decline through May. A major explosion and fire at Glencore‘s Kazzinc complex in Kazakhstan added supply-side concern, while sulfuric acid shortages increasingly affected zinc refining economics. Since sulfuric acid is produced as a byproduct of copper and zinc smelting, the market became deeply interconnected with the broader sulfur disruption across the Middle East.

Lead markets were similarly affected by tighter freight systems, rising energy costs and refining constraints rather than outright mine shortages. The quarter reinforced a broader structural insight: across industrial metals generally, refined-metal availability — not simply mined output — is increasingly the binding constraint in periods of supply-chain stress.

RARE EARTHS markets were shaped less by the Hormuz disruption itself and more by the accelerating geopolitical competition for critical-mineral supply chains that the conflict reinforced. The crisis highlighted the strategic vulnerability of globally concentrated mineral processing capacity, particularly China's dominance across refining and downstream conversion. According to the IEA, the combined market share of the top three producing countries across copper, lithium, nickel, cobalt, graphite and rare earths increased to 86% in 2024 from 82% in 2020 — a concentration trend moving in the wrong direction precisely as governments sought to diversify.

The US maintained export-control pressure through the „US Vault" critical-minerals initiative — and the strategic rationale is stark. US import dependence on China exceeds 60% across virtually every critical mineral category: gallium at 99%, magnesium at 95%, silicon at 85%, tungsten at 83%, graphite at 79%, rare earths at 69% and antimony at 60%. These are not peripheral materials — they are essential inputs for semiconductors, defense systems, EV motors, wind turbines and advanced electronics. China's export licensing system remained firmly in place throughout the quarter, with limited progress at the Trump-Xi summit on rare earths, yttrium, scandium or indium. The market increasingly distinguished between upstream mining capacity — which is globally distributed — and downstream refining dominance, which remains heavily concentrated in China and cannot be rapidly replicated elsewhere.

Rare earths occupy a uniquely strategic position because they remain essential for permanent magnets in EV motors, wind turbines, robotics and advanced defense systems — demand vectors that the Hormuz crisis, if anything, accelerated.

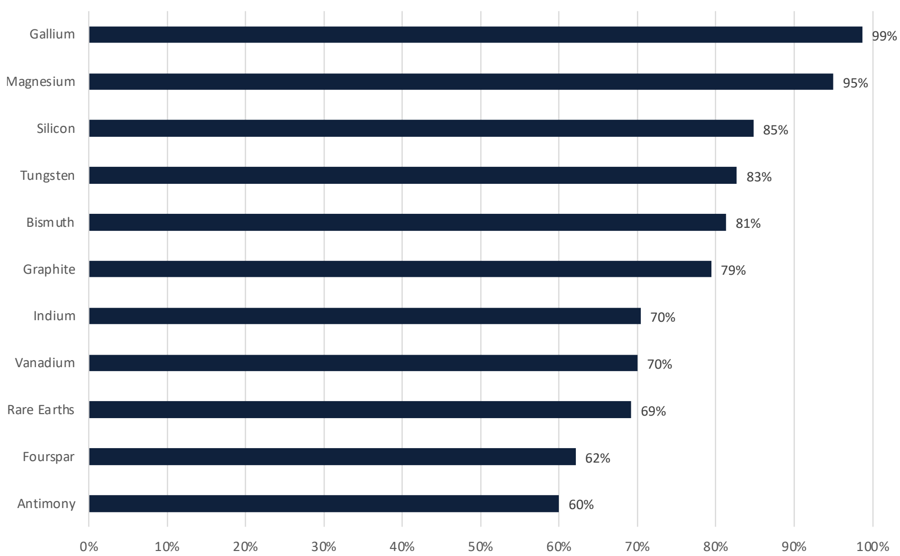
LITHIUM markets remained structurally oversupplied during parts of Q2, but the quarter reinforced the growing divergence between short-term cyclical weakness and long-term strategic demand growth. Chinese lithium-carbonate inventories continued hovering near historic lows on an inventory-months basis, signalling tighter underlying balances than headline prices implied. UBS estimated Chinese LCE demand growth during 2026 could approach 25% year-on-year — materially above previous expectations of 16% — supported by accelerating EV exports, larger average battery sizes and stronger energy-storage-system demand. Chinese EV exports rose approximately 82% year-on-year through April, while ESS exports increased roughly 44% and battery production reached nearly 184 GWh during April alone, up approximately 56% year-on-year.

On the supply side, Greenbushes — the world's largest hard-rock lithium mine — lowered its FY2026 spodumene guidance by approximately 11% due to lower grades, weaker recoveries and maintenance downtime. The Hormuz disruption reinforced long-term policy support for electrification and battery storage.

IRON ORE markets proved remarkably resilient throughout the quarter despite broader macro uncertainty, with

Chart 7: U.S. moves to secure Critical Minerals

Sources: The White House, USGS, Lynas, Bloomberg, Stifel



spot prices remaining largely range-bound between USD 100–110/t — materially above many market expectations. However, the resilience increasingly reflected freight inflation and higher energy costs rather than significantly stronger underlying demand. UBS noted that while benchmark CFR China prices rose toward USD 110/t, much of the move was driven by sharply higher freight rates: Brazil-to-China freight reportedly increased by roughly USD 11/t since February, while Australia-to-China freight rose approximately USD 5/t. The impact was highly asymmetric — smaller producers with greater trucking exposure faced materially larger cost inflation, while major low-cost exporters such as BHP, Rio Tinto and Vale benefited from expanding margins as realized prices increased faster than their own operating costs.

China remained the central driver of market balances. Blast-furnace utilization rates remained broadly stable year-on-year, and while Chinese steel production softened modestly, mill and trader inventories remained manageable. Chinese steel exports declined roughly 10% year-on-year through March before stabilizing during April as trade barriers and weaker external demand took effect. Ultimately, iron ore increasingly became a cost-curve and freight-rate trade rather than a pure China-property trade — with higher energy prices effectively lifting the global marginal cost structure and creating price support even in the absence of a Chinese property recovery.

STEEL markets increasingly reflected a tension between improving spreads and deteriorating macro visibility during the quarter. European steel spreads improved materially as tighter import restrictions, safeguard measures and rising raw-material costs supported pricing. However, profitability remained highly vulnerable to energy costs and weaker downstream demand, with European steelmakers warning that Middle East disruptions posed greater risks through demand destruction and industrial slowdown than through direct raw-material shortages. China again remained central to global steel balances, with monthly export volumes improving modestly during April after a weak Q1 as global trade restrictions intensified.

Consolidation pressure continued rising across the steel complex, with analysts increasingly arguing that large-scale M&A is likely to remain a structural feature of an industry simultaneously managing energy-cost exposure, overcapacity and the long-term transition toward lower-carbon production routes.

METALLURGICAL COAL markets tightened alongside the broader energy complex, with coking coal prices moving higher through the quarter on rising shipping costs, tighter Australian export conditions and resilient blast-furnace utilization in China. Diesel inflation emerged as a major operational risk for producers, given mining operations' heavy exposure to fuel costs through trucking, overburden removal and transport logistics.

Investors increasingly viewed metallurgical coal through the lens of freight rates, diesel costs and shipping security rather than purely steel-demand growth — a structural shift in how bulk commodities are priced in a world of fragmented maritime supply chains.

INDUSTRIAL METALS EQUITIES outperformed broader equity markets during parts of Q2 as investors rotated toward real assets, supply-scarce resources and supply-constrained sectors. The strongest performance generally emerged in aluminium and copper-exposed names, where the combination of supply disruption, structural demand growth and rising scarcity value drove material re-rating. Investors increasingly differentiated between low-cost tier-one assets with advantaged logistics and strong balance sheets versus higher-cost marginal production with greater exposure to input-cost inflation and supply-chain disruption.

On a market-cap weighted basis, Materials is the top EPS growth sector in the S&P 500 with over 100% expected earnings growth — driven by large-cap mining names alongside a broad chemical sector recovery — while Energy follows with approximately 60% growth. Together, these two sectors represent the most compelling earnings momentum story in the index, one that remains broadly underappreciated in a market still dominated by AI and mega-cap tech. Away from the AI spotlight, commodities offer a rare combination of cyclical earnings recovery, tangible asset backing and still-undemanding valuations — a setup that has historically preceded significant sector re-rating.

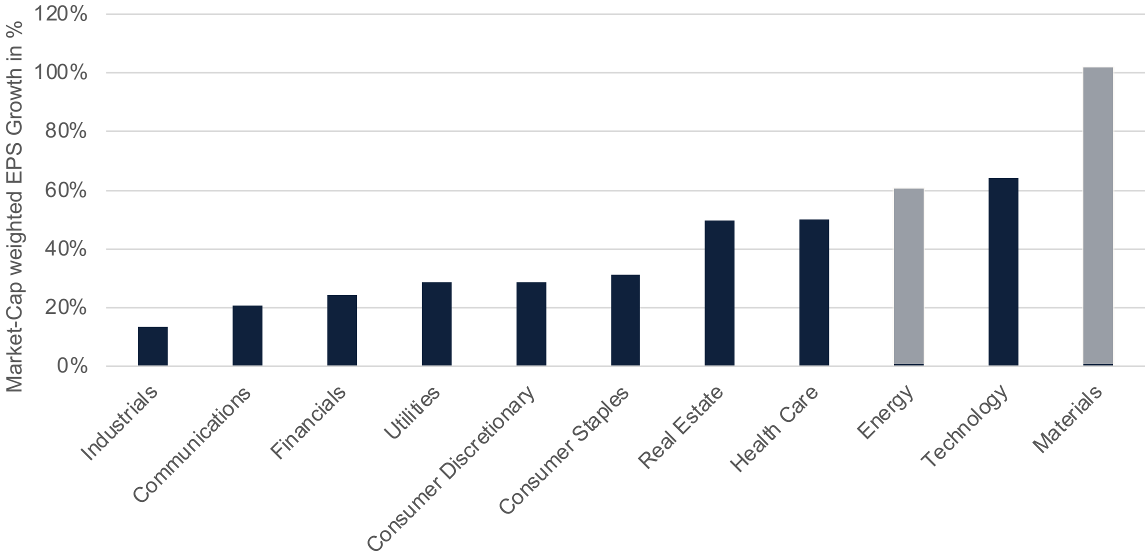
Consolidation pressure continued rising across the complex. Major miners increasingly pursued M&A opportunities to secure long-life copper, aluminium and critical-mineral assets in anticipation of structurally tighter supply conditions — a trend that the Hormuz shock has accelerated by demonstrating the scarcity premium attached to resources outside geopolitically exposed corridors.

“Materials leads the S&P 500 in EPS growth, with earnings projected to rise over 100%.”

Ultimately, the quarter reinforced that industrial metals equities increasingly behave less like traditional cyclical mining stocks and more like physical infrastructure assets positioned at the intersection of energy security, electrification and the AI-driven power build-out.

Chart 8: Commodities lead the EPS growth race in the S&P 500 Index

Source: Bloomberg



Precious Metals
Market Commentary

Key Takeaways

- Precious metals delivered mixed Q2 performance — gold and silver held year-to-date gains while gold miners gave back ground amid Hormuz-driven deleveraging.
- Central-bank accumulation continued: China's 18th consecutive monthly gold purchase reinforced the diversification trend.
- Platinum's four consecutive annual deficits and silver's electrification-driven demand keep both metals structurally tight.

Precious metals entered Q2 2026 having delivered strong gains in early 2026, before the Strait of Hormuz crisis introduced a more complex and differentiated performance picture across the complex. The initial phase of the conflict proved paradoxical: what might historically have driven a sustained precious-metals rally instead created near-term headwinds as forced deleveraging, margin calls across broader commodity positions and a stronger US dollar weighed on the sector. Gold and silver retained positive year-to-date returns, but gold miners gave back a material portion of their earlier gains. PGMs declined year-to-date, reflecting structural demand headwinds that the geopolitical backdrop was insufficient to offset.

This performance pattern is important to understand correctly. Precious metals did not fail to respond to geopolitical stress — they had already responded, with gold, silver and miners delivering strong returns in Q1 2026 ahead of the conflict. The Hormuz disruption then introduced a second-order effect: the energy shock weakened global growth expectations, tightened financial conditions and triggered broad commodity liquidation that temporarily dragged even safe-haven assets lower alongside industrial commodities. Gold's ability to hold positive year-to-date territory despite this headwind is itself a signal of underlying structural demand strength.

Central-bank accumulation continued providing a structural floor, with China's 18th consecutive monthly purchase reinforcing a diversification trend that shows no signs of reversal. At roughly 9% of Chinese total reserves, gold's share remains materially below developed-market norms — leaving substantial room for continued accumulation. Silver retained its asymmetric profile, simultaneously exposed to monetary safe-haven demand and structural electrification growth — making near-term volatility a feature rather than a structural reversal.

Platinum told the most structurally compelling supply story despite its negative year-to-date return — four consecutive annual deficits, above-ground inventories approaching critically low levels and a demand profile broadening rapidly into AI infrastructure, semiconductors and hydrogen applications create a physical market increasingly vulnerable to even modest demand recovery. Palladium, by contrast, remains genuinely structurally challenged — electrification trends and platinum substitution are secular headwinds that geopolitical volatility can temporarily interrupt but not reverse.

The equity market reflected the complexity of the quarter. Precious-metals producers gave back meaningful ground during the conflict period as cost inflation and operational disruptions weighed on near-term earnings visibility. Yet underlying cash flow generation remained strong, with Newmont's USD 3.1 billion quarterly FCF record and USD 6 billion buyback authorization demonstrating that balance-sheet strength and capital discipline remain intact. Consolidation accelerated illustrating that producers are using the period of valuation pressure to build scale rather than retreat.

GOLD entered Q2 2026 having delivered exceptional gains in the first quarter, before the Hormuz crisis created an unexpected near-term reversal. Despite the largest oil supply disruption in half a century, gold faced headwinds rather than tailwinds during much of the quarter even as geopolitical risk escalated sharply. The pattern reflected a broader dynamic across commodity markets: the energy shock weakened global growth expectations, triggered forced deleveraging and temporarily strengthened the US dollar, all of which weighed on gold alongside riskier assets.

> *"Gold's resilience points to a structural re-rating, with investors increasingly treating it as a reserve asset."*

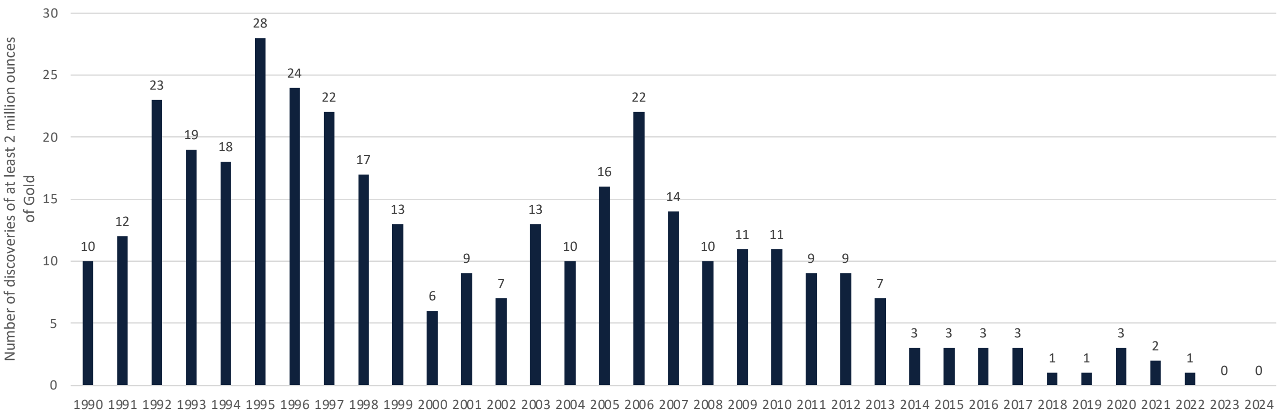
Nevertheless, gold retained a positive year-to-date return a resilience that should not be underestimated. In an environment where industrial commodities faced acute demand destruction and equity markets experienced significant volatility, gold's ability to hold positive territory underscores its evolving role as a reserve asset rather than a purely cyclical or inflation-sensitive trade.

The structural demand pillars remained firmly intact throughout the quarter. China's central bank added another 8 tonnes in April — its 18th consecutive monthly purchase and the largest monthly addition since December 2024 — bringing official reserves to 2,322 tonnes. Gold now accounts for roughly 9% of China's total reserves, which remains comparatively low relative to developed-market compositions and therefore leaves substantial room for continued accumulation. Several central banks across emerging Europe and Asia simultaneously continued opportunistic buying during periods of price weakness, reinforcing the broader trend of reserve diversification away from US dollar assets toward politically neutral reserve holdings.
Chinese investor demand remained remarkably resilient despite elevated prices. Chinese gold ETFs recorded their eighth consecutive monthly inflow in April, with holdings rising to a record 301 tonnes and total AUM reaching RMB 306 billion — reflecting continued domestic demand for hard assets amid slowing property markets, declining bond yields and broader macro uncertainty.

The macroeconomic backdrop simultaneously became more complex. Rising oil prices and stagflationary dynamics are historically supportive for gold — but the near-term growth deterioration and forced deleveraging associated with the energy shock created offsetting headwinds. The net result was a metal that held its value better than most commodities but underperformed relative to the geopolitical severity of the quarter.

Mine supply growth also remained structurally con-

Chart 9: No Major Gold Discoveries — The Pipeline Has Run Dry



Source: Bloomberg

strained as producers faced declining ore grades, rising permitting challenges, resource nationalism and higher operating costs across key jurisdictions. The discovery data underscores the severity of this supply challenge. Major gold discoveries — defined as deposits of at least 2 million ounces — averaged 15–25 per year during the 1990s, peaked at 28 in 1995, and have since collapsed to fewer than 3 per year since 2012. Most strikingly, 2023 and 2024 marked the first two consecutive years in recorded history with zero major gold discoveries — a structural, not cyclical, supply challenge. With the lag from grassroots exploration to confirmed production typically exceeding ten years, the implications for mine supply in

the early 2030s are already largely determined — and they point firmly toward scarcity rather than abundance.

Ultimately, Q2 reinforced gold‘s evolution from inflation hedge into a broader geopolitical and monetary reserve asset. In a world increasingly defined by fiscal expansion, geopolitical rivalry and deglobalization, gold continues re-emerging as one of the few globally neutral stores of value without sovereign counterparty risk.

SILVER delivered a modestly positive year-to-date return through Q2, outperforming gold on a year-to-date basis despite a more volatile quarterly path. The metal‘s dual identity — part monetary hedge, part industrial commodity — created a more nuanced performance profile than pure precious metals during the Hormuz shock.

Initially, silver lagged gold during the first phase of geopolitical escalation as markets focused on cyclical manufacturing weakness and slowing global growth. Industrial demand concerns — particularly across manufacturing, solar and electronics supply chains — weighed on silver more heavily than on gold during the acute phase of the crisis. However, silver‘s quarterly performance demonstrated greater resilience than gold, reflecting that the electrification demand narrative proved more durable than feared even as broader industrial activity softened.

“Renewable growth in China is creating structural demand for silver.”

The quarter reinforced silver‘s growing structural importance within the global electrification and AI infrastructure buildout. Demand linked to solar installations, power grids, semiconductors, advanced electronics and data-centre infrastructure remained exceptionally strong despite broader macroeconomic headwinds. China‘s renewable-energy expansion continued at a pace materially above expectations, sustaining structural silver demand even as global manufacturing softened. The same Hormuz-driven energy-security imperative that accelerated investment in nuclear and grid infrastructure simultaneously reinforced the structural case for silver as the metal most exposed to the physical electrification of the global economy.

Physical-market tightness persisted throughout the quarter. COMEX and LBMA inventories remained comparatively low relative to historical norms, while physical premiums periodically widened during episodes of geopolitical stress. Mine supply growth meanwhile remained constrained — a significant portion of global silver production is tied to byproduct output from copper, lead and zinc mining, limiting the industry‘s ability to rapidly expand supply in response to higher prices.

The result remains an asymmetric investment profile: silver simultaneously offers monetary uncertainty protection, structural industrial growth exposure and relative-value appeal given the historically elevated gold-to-silver ratio — while supply remains structurally inelastic.

PLATINUM declined approximately 5% year-to-date through Q2 — a performance that superficially appears disappointing but masks A structurally compelling supply-demand stories within the entire commodity complex. The metal‘s weakness reflected the broader precious-metals headwind from the Hormuz shock — forced deleveraging, weaker automotive demand expectations and industrial growth concerns — rather than any deterioration in its structural fundamentals.

According to the World Platinum Investment Council, the platinum market is projected to record its fourth consecutive annual deficit in 2026, with a 297 koz shortfall following the record 1.2 moz deficit of 2025. Above-ground inventories are expected to fall toward historically tight levels equivalent to less than three months of global demand — a threshold that historically signals acute physical scarcity risk. Although Q1 temporarily recorded a surplus due to ETF outflows and profit-taking, the broader structural picture remained highly supportive.

Higher prices are still failing to generate a meaningful supply response. South African mine production — representing roughly 70% of global supply — remains heavily constrained by electricity instability, operational bottlenecks, aging shaft infrastructure and limited greenfield investment. The WPIC specifically noted that Ivanhoe‘s Platreef project represents the first meaningful greenfield platinum development since 2019, highlighting the structural difficulty of expanding supply even at elevated prices. Recycling growth also disappointed relative to historical price relationships, as processors increasingly handled older, lower-grade autocatalysts rather than the high-grade material that would drive meaningful volume recovery.

Demand dynamics continued broadening well beyond traditional autocatalyst exposure. Industrial demand is forecast to rise 9% in 2026, supported by strong growth across glass, semiconductors, AI infrastructure, chemicals and hydrogen applications. Platinum‘s increasing exposure to AI and advanced electronics infrastructure represents one of the quarter‘s most important emerging themes — with rising usage across semiconductors, hard-disk drives, fiber optics, crystal crucibles and data-storage applications tied to datacenter expansion. Hydrogen and fuel-cell demand meanwhile remained a growing long-term structural pillar, while substitution trends within autocatalysts continued benefiting platinum at palladium‘s expense.

Chinese demand also remained highly supportive, with WPIC highlighting strong growth in platinum bar and coin demand following the launch of Guangzhou Futures Exchange platinum contracts and rising retail-investor participation.

PALLADIUM was the clear underperformer within the precious-metals complex. Unlike platinum or gold, palladium‘s weakness cannot be attributed primarily to the Hormuz shock or forced deleveraging. The metal faces secular demand headwinds that are structural in nature and unlikely to reverse.
Palladium‘s heavy dependence on gasoline-engine autocatalyst demand continues exposing it to the long-term global transition toward battery-electric vehicles, while automakers accelerated platinum substitution within catalyst systems following several years of elevated palladium prices and improving engineering flexibility. These are not cyclical headwinds — they represent a fundamental shift in the metal‘s demand profile that is likely to intensify over the coming decade.

The market nevertheless remained sensitive to geopolitical risk given Russia‘s dominant position within global primary supply. Escalation scenarios involving sanctions, payment systems or export restrictions periodically triggered short-covering rallies throughout the quarter — reinforcing palladium‘s character as a metal where positioning and geopolitical headlines drive more price action than underlying fundamentals. Rising recycling supply continued offsetting portions of primary mine tightness, while Chinese automotive demand remained relatively subdued despite selective strength in fuel-cell segments.

PRECIOUS METALS EQUITIES gave back a meaningful portion of their strong Q1 gains during Q2 as the Hormuz shock created a complex operating environment — cost inflation accelerated, particularly in diesel and explosives, while near-term earnings visibility deteriorated alongside weaker gold price momentum during the quarter.

Cost inflation remained an important sector-level challenge. Rising diesel prices continued pressuring mining operations globally — Agnico Eagle noted that diesel alone contributes roughly 7% to total operating costs, while the company simultaneously reported AISC having risen more than 40% over the past five years. The sector‘s response has been to absorb cost pressures through operational efficiency and by-product credits rather than chasing production growth at any cost.

Despite the quarterly headwinds, underlying cash flow generation demonstrated the sector‘s fundamental strength. Newmont delivered one of the strongest results across the sector: the company generated a record USD 3.1 billion in quarterly free cash flow on USD 5.2 billion of adjusted EBITDA, with adjusted net income of USD 2.90 per diluted share — an all-time quarterly record. After delivering USD 2.7 billion in shareholder returns since the prior earnings call, the Board authorized an additional USD 6 billion share repurchase program — positioning Newmont as one of the most compelling shareholder-return vehicles in the global mining sector.
Consolidation activity accelerated meaningfully as pro-

ducers used the period of valuation pressure to pursue strategic scale. Equinox Gold announced the acquisition of Orla Mining in an all-share transaction valued at approximately USD 5.1 billion for Orla, creating a combined entity with a market capitalization of approximately USD 18.5 billion and projected production of more than 1.1 million ounces annually. The combined company becomes Canada's second-largest gold producer behind Agnico Eagle, with a visible pathway toward 1.9 million ounces through internally funded North American development projects. In the same week, Barrick Mining announced a USD 3 billion share repurchase program — double the size of its prior buyback — illustrating that the sector's two dominant capital-allocation postures are both compelling: acquisitive consolidation for those with scale ambitions, and aggressive buybacks for those who view their own discounted equity as the most attractive asset available.

"The sector favors aggressive buybacks, complemented by opportunistic M&A."

Ultimately, Q2 created a reset in precious-metals equity valuations that, against a backdrop of record earnings power, strong balance sheets and intact structural demand drivers, represents an opportunity rather than a structural deterioration. Investors who look through the near-term noise — Hormuz-driven deleveraging, cost inflation and macro uncertainty — will find a sector generating extraordinary cash flows at valuations that remain undemanding relative to the earnings power being generated.

Agricultural Overview

Market Commentary

Key Takeaways

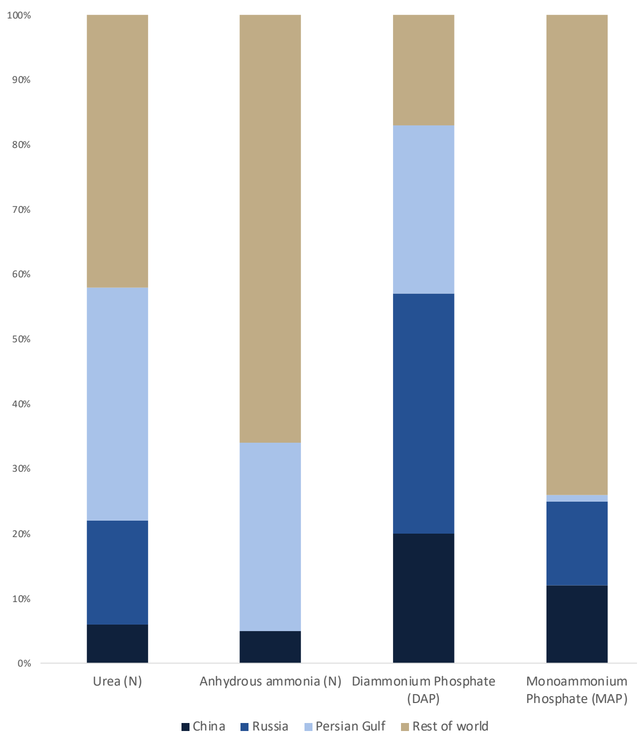
- The Hormuz crisis became a fertilizer shock before a food shock, exposing agriculture's deep dependence on energy and chemical-input supply chains.
- Food security risks are rising, as higher fertilizer costs, weather uncertainty, and potential El Niño disruptions threaten future crop yields.
- Agriculture is re-emerging as a strategic asset class, increasingly shaped by geopolitics, energy markets, and supply-chain resilience.

Global agricultural markets absorbed another major geopolitical shock during Q2 2026 — though unlike the Russia-Ukraine crisis of 2022, the disruption emerged not primarily through grain exports themselves, but through fertilizers, energy and agricultural-input systems. The Hormuz crisis evolved into a fertilizer shock first and a food-price shock second. Gulf states export relatively little grain into world markets, but they remain absolutely critical suppliers of nitrogen fertilizers, ammonia, phosphates and sulfur — the chemical inputs underpinning global crop production. The closure of the world's most important energy chokepoint therefore transmitted directly and rapidly into agricultural supply chains in ways that headline grain-price indices initially failed to capture.

The export concentration data illustrates why the disruption was so acute: the Persian Gulf accounts for roughly 35% of globally traded urea and approximately 30% of anhydrous ammonia exports, while China and Russia together dominate diammonium phosphate and monoammonium phosphate trade. Across all four major fertilizer categories, the combined market share of China, Russia and the Persian Gulf exceeds 60% — meaning the Hormuz disruption did not merely affect one input, but simultaneously tightened the entire nitrogen and phosphate supply chain at the worst possible moment: the start of the Northern Hemisphere planting season.

Chart 10: Fertilizers Export shortfall

Sources: TDM, IMPRI



The disruption tightened global fertilizer markets with unusual speed: urea prices surged roughly 70% during the quarter, phosphate fertilizers gained approximately 13%, while sulfur reached record highs as Middle Eastern flows collapsed. The implications extend well beyond current-season cost inflation. Farmers globally began considering shifts away from fertilizer-intensive crops, reducing application rates or delaying planting decisions — dynamics that, if sustained, will affect yields and harvests well into 2027.

The consequences appeared quickly in global food-price data. The FAO Food Price Index averaged 130.7 points in April 2026, rising 1.6% from March — the third consecutive monthly increase — reaching its highest level since February 2023 and standing 2.0% above year-earlier levels. Vegetable oils led the advance, surging 5.9% to their highest level since July 2022, while the FAO Meat Price Index reached a new record high, rising 6.4% year-on-year. Wheat prices rose supported by drought concerns in the United States and expectations of reduced plantings globally as farmers responded to elevated fertilizer and energy costs.

“Weather risk is emerging just as agricultural supply chains come under pressure”

A second major risk simultaneously emerged. Meteorological models increasingly suggest a potentially significant El Niño could develop later in 2026, with Pacific Ocean temperatures projected to rise up to 2–3°C above normal levels. Depending on timing and severity, such an event could materially alter growing conditions across North America, South America and Asia simultaneously — adding a weather dimension to an agricultural system already stressed by fertilizer disruptions, elevated energy costs and geopolitical fragmentation. The FAO specifically warned that if fertilizer disruptions persist for 90 days or longer, risks of a broader food crisis during late 2026 and 2027 could rise materially.

The agricultural system today faces a far more interconnected and leveraged global supply chain than during prior climate or geopolitical cycles. Food production, fertilizer markets, shipping systems, water availability and energy infrastructure have become deeply interdependent — increasing systemic vulnerability to simultaneous

weather and geopolitical shocks of exactly the kind Q2 2026 delivered.

Agriculture is once again becoming a geopolitical asset class. And unlike oil or metals, the consequences of an agricultural supply shock cannot be resolved by releasing reserves or rerouting tankers — they take growing seasons to correct.

CORN markets remained relatively subdued compared with fertilizer and soft commodities, though underlying fundamentals steadily tightened through the quarter. USDA projections of comparatively comfortable US ending stocks for 2025–2026 preserved a broadly complacent market tone, and corn prices rose only modestly so far.

Beneath the surface, however, conditions increasingly deteriorated. The United States experienced one of its driest winter periods on record, with USDA meteorologist Brad Rippey warning that the country was entering spring with record-low or near-record-low soil moisture across large portions of the country. Corn remains one of the world‘s most fertilizer-intensive crops, particularly dependent on nitrogen, meaning surging urea and ammonia prices posed direct risks to both planting economics and global yield expectations. International maize prices rose 0.7% in April, underpinned by seasonally tighter supplies, weather concerns in Brazil and dry sowing conditions in parts of the United States, with additional support from firm ethanol demand amid elevated crude oil prices.

The market increasingly recognized that current inventory levels may provide only temporary comfort. A prolonged fertilizer shortage combined with adverse North American weather could rapidly transform apparently comfortable balances into a materially tighter market environment during 2026–2027.

SOYBEANS markets remained shaped by the interplay of South American production trends, fertilizer costs and Chinese demand dynamics. Brazil continued consolidating its role as the dominant global exporter, benefiting from strong production growth and shifting Chinese sourcing preferences. However, fertilizer disruptions emerged

as a growing concern given soybeans‘ heavy phosphate dependency — and phosphate markets tightened materially as sulfur shortages spread through global fertilizer systems.
Renewable diesel demand remained one of the strongest structural supports for soybean oil, with rising energy prices and expanding renewable-fuel capacity increasingly linking soybean markets to broader energy-transition dynamics. Chinese demand stayed resilient despite macroeconomic softness, as Beijing continued prioritizing food security and agricultural diversification amid geopolitical fragmentation. Weather risk from a developing

“Wheat faces a growing challenge from drought, energy costs and fertilizer shortages”

El Niño added a further layer of uncertainty, particularly for South American crop cycles where rainfall variability tends to be most pronounced. Ultimately, soybeans increasingly traded at the intersection of food security, fertilizer availability and energy-transition demand — three structural themes unlikely to fade quickly.

WHEAT markets advanced strongly during Q2 as deteriorating North American growing conditions and persistent geopolitical uncertainty reinforced prices. The US winter wheat crop deteriorated sharply: drought concerns across parts of the United States, expectations of below-average rainfall in Australia and prospects of reduced plantings globally due to elevated fertilizer and energy costs linked to the Hormuz disruption all contributed to upward price pressure. The USDA rated only 35% of the US winter wheat crop in good condition versus 47% a year earlier.

The FAO specifically noted expectations of reduced wheat plantings in 2026 as farmers shift toward less fertilizer-intensive crops amid high fertilizer prices driven by elevated energy costs and Hormuz-related disruptions — a demand-side adjustment with implications for global supply balances extending well beyond the current season.

Governments globally remained highly sensitive to food inflation following the disruptions experienced since 2022, reinforcing stockpiling and export-management policies across multiple regions. Wheat therefore continued reflecting broader geopolitical fragmentation themes alongside agricultural fundamentals.

SUGAR markets demonstrated the direct transmission mechanism between energy and agricultural pricing during the quarter. Sugar surged mainly influenced by higher crude oil prices raising expectations that Brazil — the world‘s largest sugar exporter — would divert larger portions of sugarcane production toward ethanol during the upcoming harvest. However, sugar subsequently declined in April amid expectations of ample global supplies and improved production prospects in China and Thailand — illustrating the volatility inherent in a commodity simultaneously driven by food demand, energy economics and weather.

Brazil‘s dual role as the world‘s largest sugar exporter and one of the largest ethanol producers remained central to market dynamics throughout. The energy-agriculture linkage is becoming structurally permanent: as oil prices remain elevated, the economic incentive to divert sugarcane toward ethanol creates a persistent floor beneath sugar prices that is directly tied to the global energy market. Weather volatility across key producing regions and India‘s cautious export policy added further supply-side uncertainty.

COCOA underwent one of the most dramatic commodity reversals of the cycle during Q2 2026. After briefly exceeding USD 11,000 per tonne at the end of 2024, prices had fallen to around USD 3,100 per tonne by March 2026 — a decline of roughly 65% from peak and a return to the lowest levels in two and a half years.

The market that was defined by acute physical scarcity only twelve months earlier had transitioned into projected surplus as consecutive above-average West African harvests replaced the weather and disease-driven shortfalls that had driven the historic rally. Demand destruction is now confirmed in the data: European grindings declined 7% year-on-year while Asian grindings collapsed 16% — as manufacturers reduced processing volumes amid still-elevated input costs and limited ability to pass through prices to consumers.
The structural fragility that created the original spike has not disappeared — it has merely been masked by a cyclical recovery. Ivory Coast has already slashed farmgate prices by more than half for 2026, with farmers abandoning cocoa for other uses — dynamics that could sow the seeds of the next supply deficit well before the current surplus runs its course. The 2027 outlook points toward stabilization rather than a return to either extreme.

COFFEE markets remained highly volatile as weather instability continued affecting Brazil and Vietnam. Arabica stayed sensitive to Brazilian drought conditions while robusta supplies remained constrained by Vietnamese

"Higher costs and slower herd recovery are keeping beef supplies tight."

production issues. With inventories tight and structurally rising Asian consumption providing long-term support, coffee continues to demonstrate how geographic concentration and climate sensitivity create persistent volatility that elevated prices alone cannot resolve.

LIVESTOCK markets remained heavily influenced by feed costs, herd dynamics and food inflation throughout the quarter. The FAO Meat Price Index reached a new record high in April, rising 1.2% from March and 6.4% from a year earlier, with bovine meat prices climbing to a new peak as limited supplies of slaughter-ready cattle in Brazil and ongoing herd rebuilding constrained availability alongside strong Chinese import demand.

Live cattle prices stayed historically elevated as the US cattle cycle remained exceptionally tight following multiple years of drought-induced herd liquidation. Beef supplies remained structurally constrained while rebuilding progressed only gradually due to elevated financing costs, expensive feed inputs and uncertain producer economics. Rising fertilizer, diesel and transportation costs increasingly pressured the entire livestock supply chain — compounding the structural tightness already created by the herd cycle.

LEAN HOG markets remained comparatively softer due to more balanced global pork supplies and less aggressive Chinese import demand than during prior cycles, though producers continued facing margin pressure from elevated feed costs and rising operating expenses. The broader message across protein markets is consistent: agriculture has moved beyond a purely cyclical framework. Energy prices, fertilizer availability, feed costs and climate volatility are becoming deeply interconnected structural drivers of global food pricing.

Conclusion & Outlook

The second quarter of 2026 reinforced a reality that commodity markets had been gradually moving toward for years: the world economy is entering a structurally more resource-constrained, geopolitically fragmented and infrastructure-intensive era. The near-closure of the Strait of Hormuz acted as the catalyst that exposed multiple hidden vulnerabilities simultaneously — and revealed how deeply interconnected modern commodity systems have become. Oil markets discovered that inventories matter less than operational flexibility. LNG markets revealed how dependent global energy systems remain on maritime chokepoints. Industrial metals markets exposed severe dependence on chemical feedstocks, sulfur and processing infrastructure that most investors had never considered as commodity risk factors. Agriculture demonstrated how quickly energy and fertilizer disruptions can cascade into global food systems. What the quarter ultimately showed is that nearly every commodity market is now connected to every other — oil prices influence fertilizer costs, fertilizer availability affects grain production, LNG disruptions impact power prices, power demand accelerates copper and uranium consumption, and AI infrastructure tightens industrial metals balances while simultaneously driving electricity demand growth. Geopolitics increasingly links all of these systems together in ways that traditional single-commodity analysis fails to capture.

> *"A new era is emerging — defined by resource scarcity, geopolitical fragmentation, and rising infrastructure needs"*

While energy markets have captured most of the attention since the start of the Iran conflict, strength across the broader commodity complex has been equally notable. Commodities are delivering exceptional returns in 2026 — combining attractive performance with low correlation to traditional asset classes and pronounced inflation-protection characteristics that are increasingly valued in the current environment. Energy has been the strongest subsector, but natural-resource equities broadly have proven excellent performers as well, with miners continuing to generate record free cash flow that will be reflected in extraordinary annual results across the sector. A look at history reveals a clear pattern: every major oil crisis was triggered by geopolitical events, struck a system that had underestimated risk, and led to an abrupt repricing. History does not repeat exactly — but in energy markets, it rhymes with unusual clarity.

Looking ahead, the structural investment backdrop remains constructive across the commodity complex, but with important nuances. Energy security has firmly re-emerged as a primary policy objective globally, accelerating investments into LNG infrastructure, power grids, nuclear generation, emergency reserves and domestic resource development. The energy transition itself increasingly appears less focused on decarbonization alone and more centered around resilience, affordability and supply security — a reordering of priorities that structurally benefits uranium, copper, natural gas infrastructure and grid-related commodities simultaneously.

The global electricity system is entering a period of unprecedented investment intensity. AI, data centres, electrification and industrial digitalization are driving a structural acceleration in electricity demand that existing infrastructure is poorly prepared to handle — continuing to support a constructive long-term backdrop for copper, aluminium, uranium, silver and power-related infrastructure assets. At the same time, commodity supply growth remains structurally constrained across multiple sectors. Years of underinvestment, declining ore grades, permitting complexity and resource nationalism continue limiting producers' ability to rapidly expand output despite higher prices — a dynamic that capital discipline across the resource sector reinforces rather than resolves.

Climate volatility is meanwhile becoming an increasingly important macroeconomic variable rather than simply a seasonal agricultural concern. The growing probability of a significant El Niño event later in 2026 reinforces the risk of simultaneous weather disruptions across agriculture, power systems and industrial supply chains — adding a further layer of structural uncertainty to markets already navigating geopolitical fragmentation and inventory depletion.

We also recognize that markets have already priced in portions of these risks. Economic growth is slowing, Chinese industrial activity remains uneven and demand destruction has already begun appearing across several commodity markets in the wake of the energy shock. Volatility is therefore likely to remain elevated as markets oscillate between cyclical macro weakness and tightening structural supply conditions — a tension that is unlikely to resolve cleanly in either direction over the near term.

Nevertheless, real assets continue benefiting from several converging forces simultaneously: geopolitical fragmentation, infrastructure underinvestment, accelerating electrification, rising geopolitical competition and structurally constrained supply growth. Many investors remain structurally underweight commodities — with the energy sector representing less than 4% of the S&P 500, a fraction of the roughly 16% reached during the 2008 commodity peak. We are convinced that we are only at the beginning of a potentially prolonged commodity cycle, and that early positioning is likely to be rewarded. The ongoing geopolitical tensions have surprised many market participants and triggered sharp moves across asset classes — reminding us once more that energy is not merely a commodity. It is the foundation of the modern economy.

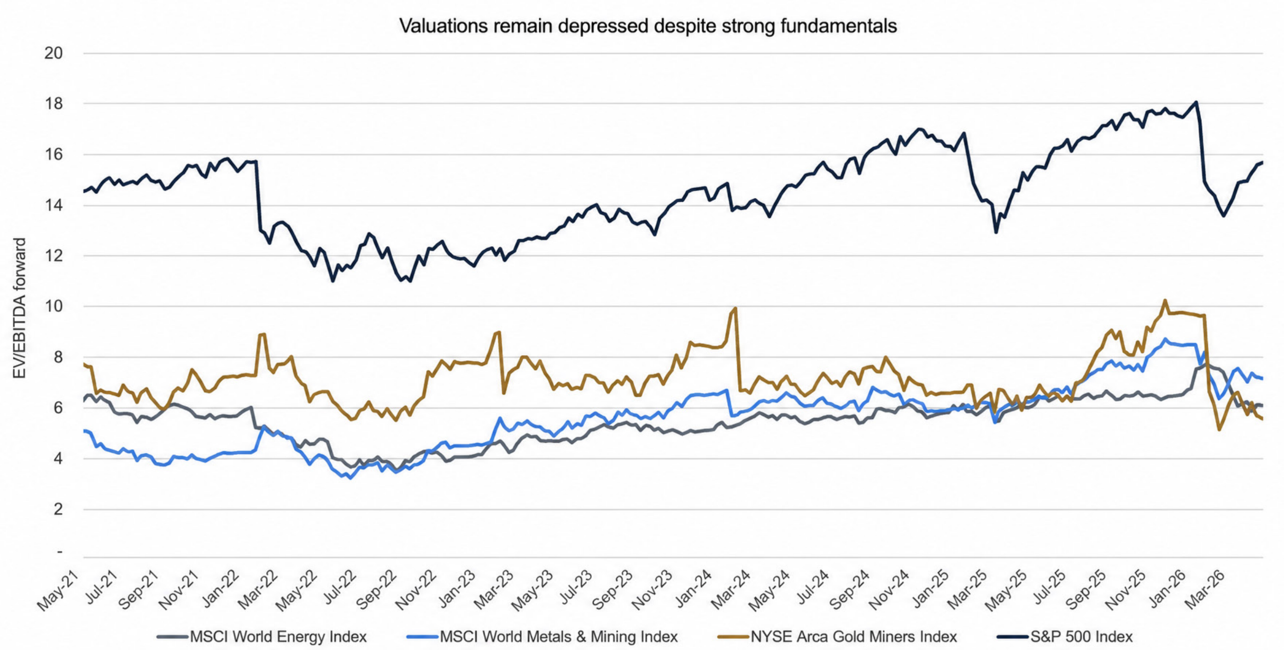
“Energy is more than a commodity, its the bedrock of economic activity”

The valuation gap remains striking. Despite record free cash flow generation and improving shareholder returns, commodity equities continue trading at a significant discount to the broader market: the S&P 500 trades near 16x EV/EBITDA forward, while the MSCI World Energy Index trades at approximately 6–7x, Metals & Mining at 5–6x and NYSE Arca Gold Miners at 8–9x. This discount persists despite ongoing ESG-related caution among many institutional investors — and against the backdrop of expected higher realized commodity prices. Given the sector's structural underweight positioning, a stronger reallocation by institutional investors could help close the valuation gap materially. This combination of depressed valuations, record earnings power and still-low institutional participation has historically preceded significant sector re-rating.

The world is moving from an era defined by efficiency and abundance toward one increasingly shaped by resilience, redundancy and physical scarcity. That transition, Q2 2026 made clear, has likely only just begun.

Chart 11: Valuations Remain Depressed

Source: Bloomberg



Picard Angst

Commodity Investment Solutions

All Commodity Plus Fund

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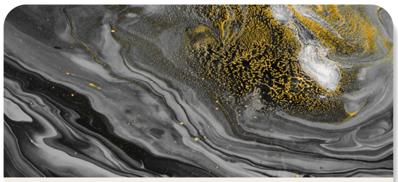

Energy Champions Fund

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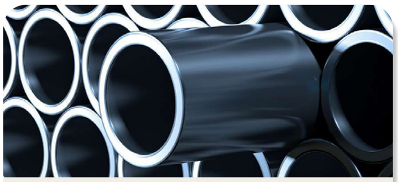

Industrial Metals Champions Fund

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Precious Metals Champions Fund

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Crucial Minerals Certificate

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Performance Overview

Commodity Solutions	May 2026	YTD 2026	1 year	3 years	5 years
Commodity Direct Investments					
All Commodity Plus Fund – P	-3.4%	27.0%	53.1%	60.2%	75.9%
Metals AMC	1.5%	9.1%	–	–	–
Commodity Equities					
Energy Champions Fund – I2	-7.9%	24.3%	39.3%	33.1%	82.1%
Scoring to Peers	18%	18%	11%	39%	69%
Industrial Metals Champions Fund – A	7.7%	24.9%	117.1%	126.6%	86.8%
Scoring to Peers	100%	100%	81%	67%	81%
Precious Metals Champions Fund – A	1.2%	7.6%	98.7%	264.6%	195.5%
Scoring to Peers	74%	74%	77%	82%	88%
Crucial Minerals AMC	5.4%	19.0%	116.6%	110.1%	n/a

Notes: Performance figures in USD per 29.05.2026 and based on Energy Champions Fund – Class I2, Industrial Metals Champions Fund – Class C & A (5 years), Precious Metals Champions Fund – Class A, All Commodity Tracker Plus Fund – Class P. Scoring to Peers: Percentile scoring relative to peers reflects the Investment Strategy's performance in comparison to its sector peers. A higher percentile indicates better Investment Strategy's relative performance to its sector peers. Full list of peers available upon request.

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